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JULY, 1955

AMERICAN MANAGEMENT ASSOCIATION

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The Management Review

A Partial List of Contents

The Executive's New World

No American business man today can help looking back enviously sometimes to the simplicity of life in business in the days of his forebears. As they brushed their muttonchop whiskers against their high stand-up desks they had troubles, but not our kind of troubles.

True, it was hard to meet a payroll in those days, but a man was free to run his own business as he wanted to, and he felt little obligation to account to anybody for what he did. The concept that he owed something to a vague thing called the public would have been so abhorrent that it would have made his muttonchop whiskers stand straight out.

Today it is no longer possible for an executive to escape to the monastery of self-interest, free from what goes on outside his own affairs. The world will be upon him whether he wishes it or not, and he must face it. Ultimately, self-interest—if nothing more—compels each of us to recognize that the welfare of each individual institution depends squarely upon the soundness of our country as a whole.

The business man who understands this respects those forces that are bigger than himself. He is driven to become a working member of the society about him. He recognizes that in this modern world, with its social consciousness, there will be no social vacuums—and that unless the business man bears the responsibility of meeting the social problems of the community through the familiar exercise of private initiative which he so values in his business, government will fill those needs and politicians will exploit human misery.

Perhaps initially he knows little at first hand about the great forces that are at work in the world. Recognizing this, he begins to read more discriminatingly, and to ponder upon what he has read. His horizons widen, and his interests are stimulated. Gradually, opinions begin to form in his mind and convictions take shape that are his, as distinguished from those that he has borrowed from others and thought of as his own.

Ultimately, a reverse flow of ideas is generated. He begins to express to others opinions that are based upon his own conviction, and he starts to play his part in the forming of public opinion. He learns now to listen, and to hear the other side, but he also feels a strong urge to bring others to his viewpoint when he senses that he is right.

Finally, he discovers that people respect him for the man that he is, and really want his help in thinking through the troubled questions of the day; and he also finds that he can say from a platform the same things that he says to his friends at lunch, because he is inwardly sure that he knows what he is talking about, and that he is right. At this point, he is beginning to take the place he should in forming sound public opinion.

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Others begin turning to this business man because they respect his leadership in matters totally unrelated to his company or its products; and he is suddenly surprised to find that this reacts favorably upon his business. If he were trying consciously to bring that about he would fail, because his efforts would not be genuine; but the integrity of his effort brings him an unexpected by-product.

The socially conscious business man may wind up by having to decide in his own life the question of whether he himself will step aside from his business and run for office. He is constantly deploring the lack of business men in government, yet most of his friends duck taking that particular plunge, and he has to decide whether he will get in and do his bit.

The senior executive may consider taking a leave of absence from his company. He can make himself available and serve his country in a government post. Though he will be something of an amateur throughout his government service, he can bring to government a freshness of viewpoint and a dynamic quality that is important. Furthermore, he has a directness about him that can be very useful in getting things done.

The experience, moreover, will be extraordinarily useful to the business man himself. When his government service is ended and he goes back to his desk he will have a first-hand understanding of the problems of government, and he will thereafter instinctively make his daily business decisions in parallel with the convictions he has formed as to what is right for the country and the people.

There are, of course, other ways in which the modern business man can participate in the orderly solution of great public questions. Apart from his own public activities, he can make it possible for young men to get experience in government on a lend-lease basis. He can give suitable leaves of absence, with financial help where that is permissible, for periods of, say, two years at a time, so that important local, state, and federal agencies might staff themselves with able people borrowed from business.

We ask young men to give two years of their lives to military service. Why should we not likewise make it possible for young men to give two years of their lives to serving their country in peace? Government would get brains and character; industry would get understanding of governmental problems; and government "by the people" would have taken a long step toward a brighter future.

—Clarence B. Randall (Chairman of the Board, Inland Steel Co.).
Dun's Review and Modern Industry, May, 1955, p. 37:5.

It has been estimated that half our present national working force is engaged in production and sales of things unheard of generally in 1902. A very large number are concerned with developments new since 1928. Should this trend continue, half our working population in the year 1978 may be making and selling things as yet unknown. What products these will be we do not know, but we can be very sure that their contribution to our social progress will be immense.

—Crawford H. Greenewalt

The Right Spot to Settle Down

THE COMPANY that wants to put up a new plant today and be happy with it tomorrow must consider factors that wouldn't have been so important a few years ago. For that reason, the business of finding the right site for a new plant is becoming more and more scientific.

For example, there was a time when companies could afford to concentrate their production in a single city and ship everything from there. Today, with competition setting up a nation-wide network of smaller manufacturing units, the manufacturer has to think about multiple units that will be (1) more efficient and (2) closer to his scattered markets. Also, there is the threat of enemy attack. The vital industry that is clustered in a few small areas could be knocked out overnight.

According to Leonard C. Yaseen, senior partner at Fantus Factory Locating Service, there are other reasons for moving plants:

The tremendous shift in markets. Just a few years ago, an automobile manufacturer could assemble all his cars in Detroit, ship in all directions from there. Now he must scatter his production over half a dozen plants if he is going to keep costs competitive.

The increase in freight rates. Yaseen estimates that the average manufacturer in 1947 spent between 1 per cent and 1½ per cent of the cost of his product on freight charges. He says it's more likely to be 3 per cent or 4 per cent today.

The impetus toward decentralization. Instead of having one plant that makes every product in a company's line, many companies have set up a series of small plants. The company gains in a number of ways: Several small units are often easier to manage than one large one; the smaller unit can be put down in a small town instead of in or near a big city; shipping charges are reduced, because each unit blankets a different market. And small, scattered units are able to keep their markets supplied faster, because they're closer.

For these and many other reasons, plant location is getting a bigger play among management. Many companies today are increasing their plant location staffs—once a one-man operation. Others, though not yet a majority, are calling in private consultants to handle their plant location problems. A variety of private and state organizations are eager to help an expanding company to find a good site for its new plant. And the Bureau of the Census' Industry Division spends time with site-hunting companies every day, trying to help them locate in the right spot.

Whether a company makes the site study itself or has someone else do the job, it has to make sure that it isn't overlooking any bets.

The man who takes on a plant location study has to begin by studying the company from its broadest operation to its deepest detail: the products it makes, the skills required to produce them, the markets it serves.

Then he has to pore over maps, population figures, family income statistics. He will weigh the cost of getting raw materials to the plant against the cost of shipping finished products to market. He will study the labor supply of many different regions, evaluating each in terms of the company's special needs. He will check power and water costs, tax rates, community attitudes.

In maybe three or four months, he will come up with a report recommending a site—or a choice of several sites—that the company should settle on.

Whichever way a company approaches the relocation problem—through a specialist, a state or transportation bureau, or its own men—mistakes are possible. Trouble may follow if the advisers overlook any important factor.

How a company goes about picking out a new plant location depends primarily upon what it makes. If it is a steel producer, it is tied closest to its raw material supply. On the other hand, if the company is a soft-drink producer, it is market-oriented. However, it is important to keep production in balance with market potential.

One Midwest detergent manufacturer wanted to set up a complete manufacturing plant on the West Coast; but the smallest producing unit he could build would have produced enough detergent in eight days to supply the West Coast market for a month. To get rid of this output as fast as it was produced, the company would have had to stretch the plant's market as far east as Missouri. Instead of over-producing, the company built a small packaging plant in California and shipped the detergent in bulk from its plant in Illinois.

Many a town has cursed a company because it moved away, leaving a big labor force without work. During the depression, companies sometimes closed up an operation permanently without notice, leaving whole areas blighted. A company should try to make its move in such a way that the move won't hurt the town.

—Business Week, No. 1299, p. 130:4.

Reducing Absenteeism: A Three-Step Program

A popular management misconception holds that absenteeism among hourly workers doesn't cost anything. The fact is that when the hourly worker is absent, the company has several identifiable losses: (1) extra people on the payroll to take the place of those absent; (2) idle machinery and unused investment when workers unexpectedly fail to come to work; (3) disrupted schedules with inconvenienced customers; (4) higher inventory caused by delay in shipment; (5) spoilage resulting from substitute workers' having to do jobs for which they were not trained; (6) overtime premiums paid to make up for lost time.

We at General Electric estimate that for every dollar our employees

fail to take home, it costs us one or two dollars extra. On this basis, an absenteeism rate of 5 per cent in a plant with 300 employees and an annual payroll of approximately $1 million would mean a loss of approximately $50,000 to the employees and between $50,000 and $100,000 to the company. Not all of this can be saved, but some can—far more than enough to pay for the effort. Naturally, the answer is a positive approach to the reduction of absenteeism.

One study showed that absenteeism can be broadly classified as follows: industrial accident or disease—less than 10 per cent; respiratory infections, cold, grippe, etc.—45 per cent; all other causes, including personal business, death in the family, etc.—45 per cent. Moreover, the Survey Research Center of the University of Michigan reported in a study for Detroit Edison Company: "(a) Regardless of the kind of worker, the treatment accorded him will raise or lower his rate of absenteeism. (b) Doubt is cast on the notion that responsible employees come to work regularly and irresponsible ones do not. (c) Absences among both white-collar and blue-collar workers are primarily related to supervision, work associates, job status, and satisfaction."

So it seems that the big area for reducing absenteeism lies within the control of the employee's own supervisor.

Concerning the factors that affect absenteeism, it can be said that absenteeism gets worse with the winter months, with a higher proportion of female employees, with high levels of employment, with prosperous working conditions, and with conflicts in the work group; and absenteeism improves with good supervision, with adequate controls, with interesting work, and with a high "sense of participation" among all employees.

Here are three steps that can be taken to control absenteeism. They are effective and low in cost:

1. *Measure absenteeism, and classify it by foremen.* In order for management to be able to applaud a good job and criticize a bad job, yardsticks of attendance must be set up. One of the best of these is a report issued monthly or quarterly, comparing the male and female absenteeism within each foreman's work group with that of each of the other groups. Copies of the report should be sent to every foreman so they can see how they compare with each other.

2. *Teach the foreman how to encourage good attendance within his work group.* One of the most effective things the foreman can do to encourage his employees to come to work regularly is to tell the latter they are missed as soon as they return from an absence. Emphasis should be put on the fact that the employee was missed, that he was needed on his job, rather than probing for an excuse that often uncovers only a good cock-and-bull story.

3. *Hold the foreman accountable for the regular, on-time, attendance of his employees.* Getting people to come to work regularly is a personal thing best handled by the employee's own boss. Foremen are normally held accountable for control of cost, maintenance of quality, and adherence to production schedules. Regular, punctual attendance of each employee is essential to carry these responsibilities.

Par for absenteeism is different for different conditions. Under today's economic conditions, par for female absenteeism is probably slightly over 3 per cent while that for males would be slightly less than 3 per cent. But many companies, which are running 50 per cent or more "over par," can expect substantial dollar savings from effective absenteeism controls.

—LOUIS E. NEWMAN, *Management Methods*, Vol. 7, No. 2, p. 14:2.

Leave for Jury Duty—A Survey of Contract Provisions

TO PROTECT employees from loss of income while absent from work to serve as jurors, paid jury leave is provided by a sizable proportion of collective bargaining agreements, a Bureau of Labor Statistics survey shows.

Of 1,736 contracts effective during 1953 and covering 6,365,500 workers, 317 agreements (18 per cent) had a provision assuring employees of an amount at least equal to their regular pay for the time spent in jury service. Of these, 223 compensated employees for the difference between the fees received for jury service and their regular wages. In 21 agreements employees were permitted to retain their court fees in addition to receiving their regular pay, while in 71 others, the exact amount to be received by the employee was not clearly specified.

Forty-two agreements specifically required that the employee return to his job upon completion of jury service in order to collect jury-leave pay.

In 67 agreements evidence of jury service and receipt of fees, or certification by a judge or court officer were the most commonly cited provisions qualifying an employee to collect pay for time spent serving as a juror. Thirty-nine contracts required prior notice to the employer.

—DENA G. WEISS in *Monthly Labor Review* 5/55

Slides Teach Shop Harmony

IN AN EFFORT to promote labor peace, the Federal Mediation and Conciliation Service is sponsoring a unique audio-visual program.*

The program consists of the public showing by a FMCS staff member of slide films depicting typical controversies that can arise in a plant and lead to serious labor disputes—possibly strikes. The films are accompanied by tape-recorded dialogue.

Since the program was launched last August, mediators have shown the films nearly 200 times. Their audiences have included both management and union representatives, sometimes meeting in joint session.

After each showing the mediator-turned-projectionist leads a discussion. Members of the audience suggest steps which the employee, steward, and foreman involved could have taken to solve the problem.

The filmed sequences—six are now in circulation—were developed from actual cases by two mediators in the Service's St. Louis office.

—*Nation's Business* 6/55

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*Available gratis to interested companies.

How to Talk Your Work Away

MANY executives could lighten their daily workload by making better use of dictating devices and by using some kind of a system in their dictation. Whenever you have any instructions to give others, there's a definite possibility that electronic dictating machines can save you time and effort. Instead of lifting the telephone receiver, pressing a buzzer, or writing a longhand note, you just reach for your microphone.

What you say can be transcribed and delivered as a memo. Or you can put the disk or belt into an envelope and mail it. Dictated reminders to your secretary need not be transcribed. The machine is a handy way to tell her things without waiting for her to drop everything and come into your office and listen.

If you are not sure of your instructions, it is often smart to dictate them in a draft first—then alter them on paper. Frequently you will discover that, once you have a rough draft before you, you can redictate another version of a letter far more clearly and more understandably than starting from scratch.

Much of today's outside business is done by telephone—important decisions, binding agreements, substantial orders. The telephone, however, gives neither party a solid record of commitments or promises. This hazard can be avoided by using your telephone with your dictating machine. Most dictating machines have a telephone recorder. You flip a switch, the "beep" sound required by law begins, and every word spoken by both persons is clearly recorded. Both participants in the conversation are protected, and vital business is safeguarded against error or confusion. Orders can be written up directly from these records. Typewritten transcriptions can be used as written confirmations. Untranscribed recordings can also be slipped into standard files for possible further need.

Another new telephone use of dictation is demonstrated by a Brooklyn firm which has just installed a special switchboard connected to nine recording machines. The firm's 60 salesmen now telephone their orders through the switchboard—and, where it originally took as long as 30 minutes to place nine separate customer orders, it now takes three minutes. The company feels that it will save at least $8,000 annually in time alone.

The dictating device can also be used to advantage at business meetings. Recording everything can often be wasteful; a much better method is to have the chairman use the machine. Then, as points of agreement are reached, he can dictate a memorandum of understanding or agreement right then and there in everyone's presence.

Dictating while you travel is one of the best time-savers. Here are some ways to use a dictating device while on the road:

1. Take it with you and dictate letters and memoranda in your hotel room after you have finished calls, interviews, or research.

2. Carry it in your car. Most ma-

chines have boosters which enable you to use the dashboard as a power source. This idea has helped increase the communications efficiency of many sales organizations. Many men on the road dictate their material as soon as they have made calls. When they come to the end of their day, they simply mail back the belts for transcription. The correspondence is mailed out if necessary, reports are heard by the manager in the home office, and there is no sitting around at night finishing off reports.

3. Several companies give owners a free, on-the-road service. Advise them in advance and a machine is delivered to your hotel with a supply of belts.

4. Coin-operated dictating machines have been installed in soundproof booths in many hotel lobbies, airports, railroad terminals, and other places where traveling business men can use personal communication facilities. You put a quarter in the slot and out pops a record with a mailer enclosed in a prestamped airmail envelope. You turn on the power and begin your dictation. Minutes in transit ordinarily wasted can be used to complete work, put down ideas, finish correspondence.

5. Many executives on the road for extensive periods have secretaries send them all their correspondence; then they dictate answers and memos right from the road. When they get back to work, there's no mountain of papers on the desk. The executive who dictates everything pertaining to his trip before he comes home starts fresh when he returns.

—RAY JOSEPHS. *American Business*, Vol. 25, No. 1, p. 12:4.

Company Safety Programs: A Survey

WHAT ELEMENTS go to make up a typical company safety program? Who is responsible for administering the program, and how is it "sold" to the rank-and-file? To get some answers to these and other questions about safety practices in industry generally, the Bureau of National Affairs recently conducted a nation-wide survey among executives of 153 companies of all types and sizes.

The personnel-industrial relations department is in full charge of the safety program in approximately 70 per cent of larger companies (more than 1,000 employees) and 75 per cent of smaller ones (1,000 or fewer employees). A separate "safety" department is found in about 12 per cent of larger firms and 5 per cent of smaller ones. Among most of the remaining companies—16 per cent of the larger and 13 per cent of the smaller ones—safety is in charge of the production or maintenance department, or of some officer or executive.

Specialists are responsible for the safety program in 83 per cent of larger companies but only 46 per cent of smaller firms represented in the survey.

Management committees are utilized

to further the safety program in nearly three-fourths of larger companies and one-half of smaller firms. In most of the companies which have safety committees, a single committee is used. However, several companies have safety committees operating on two or even three levels; these setups generally include an over-all company-wide policy-making committee, plus plant and/or departmental safety committees. Joint union-management safety committees are found in 52 per cent of the larger companies which have unions, and in 63 per cent of the smaller ones.

In several other companies, the union maintains its own safety committee, which polices safety measures and reports to the company safety director.

Fully one-half of all companies participating in the survey offer no rewards or special incentives to employees who compile a good safety record. The remaining one-half of all companies, however, do give special awards to employees for safe job performance. To a large extent, such awards are made on a group basis—for instance, to all employees in the department (or plant) having the best or the most improved safety record. Cash awards for safe performance are the exception rather than the rule.

Penalties imposed for failure to observe safety rules generally follow the usual disciplinary sequence—that is, warning followed by layoff and finally by discharge. Though the great majority of collective bargaining agreements do not spell out specific penalties for safety violations, some union contracts contain language specifically permitting the disciplining of employees guilty of unsafe practices.

Most of the respondent companies take concrete steps to assist "accident-prone" employees to work safely. Among the measures employed are individual consultations with the employee in an attempt to get to the root of the problem; a detailed medical examination to determine whether there is a physical disability; intensive training; close supervision; assigning safety duties to the employee involved; issuing warnings regarding the consequences of further accidents; and, finally, transferring the employee to a job for which he is better suited.

More intensive training is the remedy advocated most frequently by personnel executives, while transfer to another job is named almost as frequently.

Special safety equipment is used by employees to some extent in practically all companies engaged in manufacturing, respondents report. Such equipment is for the most part supplied free of charge by the employer, except for safety shoes. These the employee must usually pay for himself, although through the company he is often able to purchase them at cost.

The great majority of companies represented in the survey do not allocate a specific amount in their annual budgets for safety as such. Panel members in only one-fourth of larger firms and one-sixth of smaller ones were able to cite (or estimate) a per-employee dollars-and-cents figure representing the amount budgeted directly for safety.

Keeping foremen alert to safety is accomplished in a number of ways, the respondents report. Initially, top management shows an enthusiastic interest in safety. Foremen are made to

realize that safety is an integral part of their job; this is accomplished (among other things) by holding them responsible for all accidents in their departments. They are actively enrolled in the safety campaign—for instance, through participation on safety committees. Specialized training is given to foremen—for example, by having them attend local and/or national safety organization meetings—in order to prepare them thoroughly for the safety aspects of their supervisory duties.

Respondents in the survey agreed that foremen must be constantly alert to unsafe conditions and take remedial action. In particular, they feel that a private discussion between foreman and individual employee is especially valuable in promoting safety; group discussions on safety matters, led by the foreman, are also deemed valuable in developing safe practices. The foreman further has the responsibility of orienting newcomers to his department in safe procedures.

Employee participation is the second criterion for a successful safety program, in the opinion of the respondents. Such participation takes the form of membership on safety and inspection committees, and often includes employee suggestions for safer operation.

All of the usual communication channels, respondents report, are utilized in conducting a safety program. These channels, in the order of frequency of mention, are: posters, house organs, bulletin boards, movies, letters to employees' homes, displays, pay inserts, demonstrations, special cafeteria equipment (for example, paper coffee cups with safety slogans on them), and union newspapers.

Special material mentioned by personnel-industrial relations executives for use in safety campaigns—for instance, safety manuals and periodic bulletins—originates, to a large extent, within each individual company. At the same time, many companies secure posters, safety booklets, and other material from the National Safety Council or from insurance companies.

—*Company Safety Programs: Personnel Policies Forum Survey No. 29* (Bureau of National Affairs, Inc., Washington, D.C.).

Labor's New Federation: Industrial Unions Predominate

TWO-THIRDS of the membership of the new labor federation being formed by the AFL-CIO merger belongs to unions that are either industrially organized or to unions that combine craft and industrial unionism, according to an analysis recently completed by the National Industrial Conference Board. The remaining third of the new federation's membership belongs to unions which are strictly craft organizations.

Of the 153 AFL and CIO unions that will probably be members of the new federation, 93 are organized on a craft basis. These unions have a claimed membership of 5,249,976 or 32.8 per cent of the federation's membership. Forty-eight of the unions are organized on a strictly industrial basis and claim 4,166,993 members, or 26.0 per cent of the feder-

ation's membership. Four unions, with a claimed membership of 4,293,117 (26.8 per cent) have declarations of jurisdiction in their constitutions, that for practical purposes, can be considered unrestricted. That is, these unions may accept members from many industries, crafts or trades. Finally, eight unions, with a claimed membership of 2,316,794 (14.5 per cent), are basically craft unions, but their constitutions have been revised so that they may organize large groups of unskilled production workers on an industrial basis, and they have frequently followed this practice.

Of the 93 craft unions in the new federation, 88 are from the AFL and five from the CIO. The AFL craft unions claim 5,201,626 members (32.5 per cent) and will constitute the nucleus of craft unionism in the merged organization. A few of the AFL craft unions are very large; however, most of them have either 5,000 to 10,000 members or are very small. Furthermore, many of these smaller unions do not regularly engage in active organizing drives since they are well established in their own particular, limited fields.

"Personal Touch" in Stockholder Relations

WHILE SOME CORPORATIONS seem to prefer to keep their stockholders at arm's length, the Western Union Telegraph Co. believes in making them feel they have a personal interest in the business.

"Western Union representatives have called on more than 35,000 telegraph share owners nationwide during the past 14 years," said Walter P. Marshall, president of Western Union, in an annual review of the company's stockholder interview program. "They have answered thousands of questions about such varied subjects as management, stocks and bonds, development and research, employee relations, sales and service, the meaning of surplus and the interview program itself.

"Share owners seem hungry for information about their investments," said Mr. Marshall. "We find that personal calls develop many questions that otherwise would go unanswered. The reason is that most share owners are unable to attend annual meetings and few are inclined to send in questions that may be troubling them."

Western Union says ninety-eight per cent of share owners interviewed like the idea of personal calls. The remainder were not interested only because they felt their questions were fully answered by the company's annual and quarterly reports.

One enthusiastic share owner, a retired school teacher, gave the Western Union man a husky handshake and said:

"Young man, I want to congratulate you on coming way out here. You're the first man from any company in which I own stock that ever took the trouble to call in person, say hello, and ask if I had any questions. I think it's a wonderful idea. It makes a company human—and that's what business needs today."

"The policy behind our share owner interview program is simple," said Mr. Marshall. "We want every stockholder and every employee to have accurate information about Western Union, its policies, services and research activities. We are convinced that when they have such knowledge their interest will be greater in telling others about the company and helping to promote its success."

Organizing for Profitable Market Development

EVERY heads-up firm is constantly seeking to expand its markets and to develop new ones—whether for existing products or products that have just come off the board. The goal certainly is desirable and necessary in an expanding economy; the methods are often confused, inefficient, costly, and non-productive.

The first stages in new product development are generally the most important, and deserve more attention from marketing management than they are usually accorded. The series concept of (a) designing a new product, (b) next getting it into production, and (c) then turning it over to the marketing boys to sell, is an outmoded one. Frequently it leads to step (d)—calling in a management consultant firm to try to find out why the endeavor failed.

In the research and development of the actual product to be sold—and in its various stages of design, pilot model, redesign, accepted pilot model, production design, production-line engineering, and ultimate mass production and sale—the team concept (rather than the series concept mentioned above) should be applied with vigor and force. In companies employing the team concept, there are two basic approaches. They are both good, and both lead to profitable operation.

The first is used by a company that is very heavily committed on the engineering and research side. New products and variations of existing ones are constantly being developed in the labs, and once the decision is made to develop the product for marketing, one man is assigned the responsibility for development, production, sales, and profit. He is usually the man who nursed the product through its early stages of development, and since his faith in the product has made him its advocate, it becomes his "baby" in a real sense. He selects specialists to help him direct the various operations and is supported at the staff level with all the resources at the company's command.

The other approach, equally effective, is employed by companies introducing completely new products and innovations less frequently. At the very outset, the product—its development, production, and sale—becomes the joint responsibility of the entire management group. A committee consisting of representatives of all departments concerned—engineering, production, sales, advertising, market research, financial—is formed. If they agree to go ahead on the product, they work together all along the line, and the ultimate and only question asked is, "Are we making the right kind of a profit on this product?" If the answer is negative, they are all blamed. Needless to say, there are few failures.

Both of these methods of introducing new products are predicated on foreknowledge of a real, continuing and growing need for the product. If the conditions of the market are

studied and then understood by all concerned in advance, the only surprises that may occur will be pleasant ones.

One of the most important conditions of the market is the number of potential applications for the product—this year, next year, and five and 10 years from now. Then there is the acceptance quotient of the product, process, or procedure that the new product is supposed to supplement or displace. Next there is the number and relative influence of the buying factors in each potential customer's firm. And, finally, there is the matter of price. Can the product be sold at a price that will insure a high profit value of the sales dollar, and insure a high volume of sales and a fair profit over a period of many years?

Obviously, the right tool for determining these conditions is market research. Though accepted as a valid procedure in most companies, it is often misunderstood, abused, ignored, and relegated to a secondary position in the management setup.

To be fully effective, the function should be understood and really supported, and the approach should be scientific, free from pressures, and above all else positive. When a company says: "We'll hire some specialists and see if we can sell this product to the aircraft industries," or "We'll appropriate $50,000 for special advertising in the design papers to see if we can stir up some interest in the product in the OEM," or "We'll send out a catalogue and see if we can get some nibbles," that company doesn't have an effective market research department, no matter what the organization chart says.

—*Marketing Memo* (Sweet's Catalog Service, 119 West 40 Street, New York 18, N. Y.), No. 16.

Getting Better Results from Your Suggestion Plan

An enterprising steelworker is successfully marketing *Dollars for Ideas,* a manual of hints to workers in every occupation on how to get started sharing the more than $9 million a year paid out by firms with suggestion systems. The success of such a book would appear to indicate either that many firms have failed to put across their own suggestion award programs, or that, at least, workers want more information and help in participating.

This employee reaction parallels steps being taken by more and more companies to increase the number of contributors to suggestion boxes and to raise the proportion of acceptable suggestions. The average rate of adoption reported by the National Association of Suggestions Systems has been 20 per cent.

Many companies have realized that suggestion systems are disappointing if employees are left in the dark about what management is looking for. By giving employees a sound basis for judging the practical value of a change and for exploring solution pos-

sibilities, employers prevent a flood of useless ideas and safeguard against discouraging worth-while contributions.

A point which easily escapes employee attention is the company's lack of ability to pay off on imagination and ingenuity alone. Most improvements become valuable only by their cumulative impact on a large number of operations. Grasping this approach toward suggestions means less waste motion by employees hunting for cost-cutting ideas.

You can do much to help employees pursue this approach by spreading greater knowledge of organizational needs and activities. Even in a small firm, where the whole operation is visible, don't assume that employees realize the money equivalent of returns, scrapped parts, shipping errors.

Statements by supervisors or other company spokesmen about machine breakdowns, damaged goods, etc., can often take the form, "Here's where the real suggestion gold is to be found." Continuing refreshers of this sort will encourage employees to put their suggestion training to good use.

One electronics company increased its paperwork suggestions tremendously by presenting questions like these to clerical employees:

Is any record or file you keep identical with another kept in your office?

Are there some files or records on which you never get calls?

Do you find some records unreliable, so that you have to use other sources?

Are you making too many copies of some records?

Do you know why you do each paperwork job? Does it help you in your duties? If you're not sure, have you asked your supervisor?

Not long ago a steel fabricating company brought 36 separate types of improvement to the attention of its employees in announcing a new "Ideas for Improvement" program. The possibilities were brought together under these broad headings:

Work methods. Employees usually find it easiest to think up ideas for simplifying their own job because they are the only ones who can observe everything that happens in their operation during the working day. But their minds won't really be picturing alternatives unless they've been given some notion of the rudiments of work simplification.

Work procedures. Steps suggested for cutting costs in this area include: simplifying or combining forms; conserving supplies; elimination of duplication and unnecessary filing; cutting shipping, postage, or phone bills; building in safeguards against errors in routing, order-filling, or shipping.

Machinery and equipment. Here questions were raised about saving production time, combining two or more operations, reducing machine setups or increasing machine output, cutting maintenance costs. In addition, suggestions for improving the construction or design of machines or equipment were emphasized.

Materials. This listing points up the importance of work flow in addition to more obvious suggestions for reducing waste or substituting cheaper or more durable materials. It stressed the likelihood of savings from speedier delivery, simpler handling, less handling.

Safe work conditions. The personal stake of employees in prevention of injuries has to be played up as well as

the cost-saving value to the firm. Many vital suggestions for guards, better ventilation or lighting, safer storage of materials, etc., will result if employees are continually alerted to the need.

Merchandising. Employees should be stimulated to reflect their experience in providing service to customers and in handling the product. They may have some valuable comments to explain why orders are not filled promptly or accurately.

Training should never really end. Companies with successful suggestion systems publicize awards continuously, so that employees have specific examples to guide their thinking.

—*Labor Report* (Research Institute of America, Inc., 589 Fifth Avenue, New York 17, N.Y.), May 11, 1955.

How Efficient Is Government Enterprise?

DEPRESSION AND WAR have left a huge legacy of Federal Government operations in fields which are normally regarded as the sphere of private enterprise. The precise scope of these operations may never be known accurately, but a recent Hoover Commission report probes deeply into the nature and magnitude of the problem and makes numerous recommendations designed to reverse the growing importance of government in business.

In some cases, demand for the continued existence of business-type federal activities derives from the fact that they provide goods or services at lower prices than private companies would have to charge. It is doubtful, however, that they provide many (if any) at lower cost.

Consider, for example, some illustrations in the Hoover Commission report of savings which accrued to the government when the General Services Administration contracted out to private companies some of the functions its own employees had previously performed. These included savings of 28 per cent on washing passenger cars and light trucks, 16 per cent on the delivery of warehouse stocks to agency offices (extended to more than 25 per cent when the contract was renewed), 27.5 per cent on washing windows in government buildings, and over 13 per cent on cleaning the General Accounting Office building. In all these cases, the private contractors presumably earned profits and paid income taxes (as well as interest, property taxes, depreciation, etc.), yet they were able to charge materially less than the bare-bones cost to an agency which is undoubtedly run much more efficiently than most other departments of the government.

—*Financial World* 6/1/55

INTERPLANT VISITS among foremen are a growing practice. At Dewey & Almy Chemical Co. (Cambridge, Mass.) supervisors visit other plants about two or three times a year. Besides touring the factory to see how products are made, D-A foremen sit down in conference with superivsors of the visited plant and discuss human relations problems.

—*Mill & Factory*

Liberal Arts as Training for Business

It is not hard to predict that the practice of management will be profoundly affected by the rapidly approaching forces of automation and statistical decision-making. While many of the quantitative aspects of the executive's job are going to recede into the innards of a computer, new problems will inevitably crowd in to take the place of the old ones. And a new standard of accuracy and precision will be called for in qualitative as well as quantitative judgments.

The first question a company must now begin to ask of its candidates for executive responsibility is: "What can you do that a computer can't?" In more and more companies, the decisive factor is going to be the breadth and depth of executive judgment.

The call is for more than "breadth" alone; it is for the ability to move surely and with confidence on unfamiliar ground, to perceive central elements in situations and see how their consequences fall into line in many dimensions. Tomorow's executive must be able to move surely from policy to action in situations that will be different from anything any generation has experienced before. For this reason the study of the humanities—of literature, art, and philosophy, and of the critical terms that these disciplines use to assess the world—is startlingly more pertinent and practical as education preparation for management than the "practical" vocational preparation that has been designed to serve business's needs exclusively.

Human situations are controlling in a large proportion of business decisions. The executive, it is agreed, must be able to deal with these situations before all else. The instincts for plucking out the fullest implications and keys to human situations are not developed in technical courses of study, nor even in courses in human relations where the techniques pragmatically set the key for action. Yet the executive must be able to see situations as a whole after and above all the data that are available, to seize on the central elements and know where the entry of action can be made.

The fullest kind of training for this ability can actually be given by the practice of reading and analyzing literature and art. In his function the executive must do pretty much what a critic of literature must do—i.e., seize upon the key, the theme of the situation, and the symbolic structure that gives it life. The creative element in management, as in the humanities, is developed by the disciplined imagination of a mind working in the widest range of dimensions possible.

The executive's job, like life, is just one thing after another. The executive must be continually and instinctively making order and relation out of unrelated ideas—sorting, categorizing—to the end of action. The order he is able to impose on this mass of experience and the actions he initiates determine his success as an executive. He must find meanings for his company and his function, not only in control reports,

balance sheets, market data, and forecasts, but also in human personalities, unpredictable human actions and reactions; and he must refer all to a scale of values. He must be prepared to answer the demand of the people who work for him: that their work contribute to the meaning of their lives. Without some awareness of the possibilities for meaning in human life he is not equipped for this central job of managing people.

Meanings are the executive's stock in trade. He must remain aware of significance and meaning in the obvious: production rates, standards, absenteeism, and the rest. But today he must be acquiring more awareness to keep up. Here the experience and criticism of the arts—especially literature—are direct preparation; for reading of this kind is above all a search for meanings. The executive whose experience of meanings is thus widened has a suppleness of perception on narrower problems which can key them to effectiveness and coordination with policies and objectives on up the scale of management.

Perhaps the most important aspect of the executive's job is the fact that he must operate in terms of values. Only in the humanities are values inextricable from the materials that are studied. The significance of this is pointed up by a comment in the Yale report on general education: "The student who works with [the arts] learns to deal with intuitive symbolic ways of interpreting experience, ways which combine into one order the rational, the descriptive, and the evaluative."

If there is a better description of the basic elements of management decision than that last sentence, I have not seen it. Men who must deal with situations above all in terms of values must be prepared by being exposed to those disciplines which admit that they are the stuff of all human life. The executive whose mind is practiced in these disciplines has available a far more extensive range of values against which to set his relations with others in the company and the policies of the company itself as well.

Management has already discovered that the corporation cannot long exist if it has no end beyond itself. It has now seen its error in giving education the impression that the end of education should be the service of the technical needs of business. There is a new synthesis now in the making through which the true ends of both can best be served. It remains only for management to put it into effect.

The humanities in the colleges are now struggling to put the pieces of the specialties back together again in order to make the integrated men that management can best use. With intelligent support from business, these disciplines can prove the most valuable single resource available for the management of the future.

—Frederic E. Pamp, Jr. *Harvard Business Review*, May-June 1955, p. 42:9.

TURNOVER: Among business firms that have survived the acid test of their first two years of operation, about 4 or 5 per cent are dissolved or closed in a year of fairly favorable business conditions, according to the Twentieth Century Fund. In addition, an average of 10 per cent change hands.

Hiring the Handicapped: A Matter of Good Business

TO KEEP pace with the expanding demands of consumers, U.S. industry needs a steadily increasing stream of skilled and productive workers. One great manpower pool that many business men have neglected is handicapped workers. In 1954, according to the American Federation of the Physically Handicapped, there were seven million Americans of working age who were severely handicapped—by blindness, the loss of a limb, by tuberculosis, epilepsy, or some other crippling disease. Of the total, relatively few were permanently employed. But the estimates are that some four million can eventually be rehabilitated and gainfully employed. Not only would rehabilitation lead them into happier lives, but with the increasing complexity of such industries as electronics and aviation, handicapped people can actually perform many skilled and delicate jobs better than able-bodied workers.

Over-all, some 60,000 disabled workers found jobs in industry in 1954, and the U. S. Government estimates that the number will jump 200 per cent by 1959. But this will tap only a fraction of the potential manpower.

Many business men are frankly reluctant to hire the handicapped because they fear that such workers are prone to injury, will hurt themselves on the job, and will thus boost insurance compensation rates. These fears are largely groundless. Some state compensation laws make a company responsible for a worker's total disability, regardless of his previous injury. However, 42 states now have "second injury" funds which protect employers against paying total disability compensation for injuries to an already handicapped worker. But the biggest reason for the lag is that business men simply do not think that the handicapped are good workers.

Actually, a handicapped worker in the right job does just as well as his able-bodied neighbor. Says the National Association of Manufacturers, in its *Guide in Hiring the Physically Handicapped*: "In the past decade, production records of thousands of physically handicapped persons in industry indicate beyond any question that so-called 'handicapped' workers are equal to—and in some instances better than—their able-bodied associates in such important factors as attendance, turnover, safety and productivity."

The records of individual companies bear out the N.A.M. In Dallas, Chance Vought Aircraft employs 297 disabled among its 12,500 workers. Heart cases work at tool design, and polio victims as technical writers; amputees operate automatic machines and lathes. The company found that there is not only less malingering and absenteeism, but better production and greater safety consciousness among this group than in any other.

Few U.S. companies, big or small,

create special jobs for the handicapped. Few have to. In Detroit, Chrysler has placed thousands of physically handicapped workers in good jobs since 1943 by thoroughly testing each applicant for what he can do, then finding a job to fit. General Motors has the same type of system at its Dayton, Ohio, Frigidaire plant. For example, an ex-punch-press operator, who got tuberculosis of the spine, checks for leaks in refrigerator units passing through a tank of water, a job that does not require him to stoop or twist.

With the increasing specialization of U.S. industry, more and more jobs are opening up for handicapped workers. What the handicapped lose in flexibility because of their disability they make up by concentrating on a single job, or a few jobs, learning to do them better. Firestone has 150 deaf employees alone. Allis-Chalmers, IBM, Hughes Tool, Procter & Gamble, Bulova Watch Co., and Eli Lilly have all found use for handicapped workers; electronic firms such as RCA, Western Electric, and General Electric are using them to assemble delicate TV and radar circuits.

On the record, handicapped workers are pulling their own weight in U.S. industry, and there are millions more who are willing and able to hold down good jobs.

—*Time*, April 25, 1955, p. 96:1.

Current Holiday Pay Patterns—A Survey

ALONG WITH great improvement in working conditions, the American workman has made noteworthy progress in the matter of holidays during the past half-century. Holidays are now recognized in 99 per cent of his union agreements, and in 92 per cent they are paid for, reports the Bureau of National Affairs, Inc. This is a far cry from the early 1900's, when a worker took a holiday off only at his own risk and expense.

In 57 per cent of contracts, six holidays are most frequently designated, the BNA study shows. These are most often New Year's Day, Christmas Day, July 4, Thanksgiving, Labor Day, and Memorial Day. When more than six holidays are agreed upon, as in 39 per cent of union-management agreements, the choices for the extra holidays are George Washington's Birthday, Veterans' Day, or Good Friday, in that order. More recently, 4 per cent of the agreements have incorporated specific arrangements for a full day or a half-day off immediately preceding Christmas and/or New Year's Day.

Where it is necessary that the employee work on a holiday, premium pay is specified in 95 per cent of all contracts, with double time or more provided in 88 per cent of them.

Unions have shown increasing interest in the past two years in bargaining about holidays which fall on Saturdays and other nonscheduled workdays. BNA's study shows that 24 per cent of the contracts examined now observe such holidays by granting full holiday pay or by designating another day off with pay.

Holidays falling on an employee's vacation are paid for under 54 per cent of the agreements.

Blueprint for Industrial Health: GE's Program

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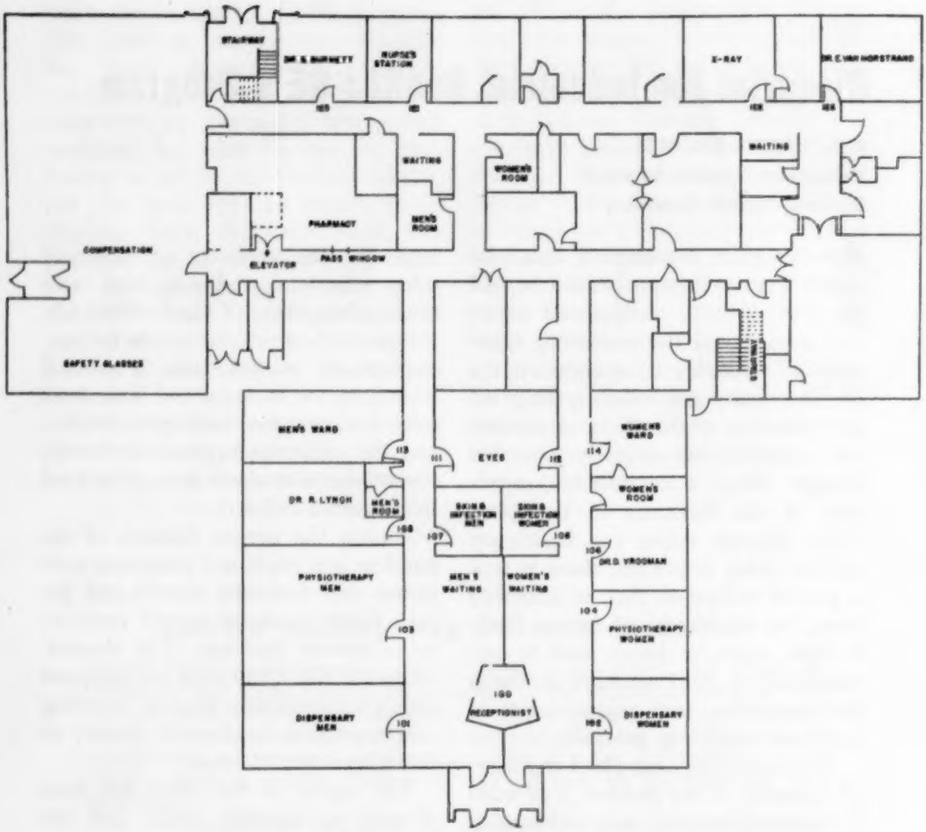
AT ONE TIME, the scope of industrial health services rarely extended beyond the prevention of occupational injury and disease, and the emergency treatment of accidents or sickness on the job. In recent years, however, the growing awareness of the effects of physical and mental fitness on productivity has brought about a considerable expansion of the functions of the plant clinic. Though safety and health are still its prime objectives, there is now a general realization that, in achieving them, the elimination of factors likely to cause injury or disease must be supplemented by other measures aiming at the promotion and maintenance of employee well-being generally.

An outstanding example of this overall approach to the problem is afforded by General Electric's new million-dollar clinic at Schenectady. An air-conditioned, steel and concrete building of two stories and a penthouse, located in the heart of the mammoth GE plant, it was formally dedicated in July, 1954. Its multiplicity of functions involves the handling of between 1,200 and 1,500 cases a day—a volume of traffic roughly equivalent to one visit a month by each of the plant's 35,000 employees.

The facilities on the first floor include two dispensaries, an emergency operating room, physical therapy and medical diagnostic rooms, separate areas for the treatment of skin and other infections, and ear, nose, and throat ailments and X-ray facilities. On the second floor are the section for pre-employment examinations, a clinical laboratory for bacterial and body fluid tests, a section for cardiogram studies, and the industrial hygiene laboratory, one of the most up-to-date of its kind in American industry.

Among the unique features of the building as a whole is a pneumatic tube system that transmits records and papers from a central record room to seven remote locations. The doctors' offices and the X-ray room are equipped with televoice-writer phones, enabling case records to be dictated directly to the central record room.

The layout of the clinic has been planned to expedite traffic and cut down waiting time. Patients requiring only brief attention are seen within easy reach of the reception room. Two nurses are usually on duty in the eye room, so that eye cases can be rapidly handled. Similarly, there are three or four attendants in the dispensary, to provide for quick handling of peak loads of minor injury cases. In the area set aside for the care of those who are acutely ill, both a nurse and a doctor are on hand. Thus, employees suffering from the "one call" type of illness rarely have to wait more than a few minutes.



GE Schenectady Industrial Clinic, first floor

However, some services necessarily take time. When a patient has to undress for examination or treatment he is almost certain to be away from his job for the best part of an hour. For this reason, the X-ray and physical therapy rooms have been placed away from the areas where patient traffic is heaviest, and employees requiring these services are usually seen by appointment. For the same reason, the "very slow" services, such as pre-placement examinations, are handled on the second floor.

In its implications for management, perhaps the most important of the many functions of the medical department is the examination of applicants for employment. By insuring that the physical capacities of the applicant match the physical demands of the job, the pre-placement examination is the core of all industrial measures for the prevention of injury and disease. It also marks the point where the pro-

spective employee first gets acquainted, as it were, with management. Here, the doctor and his staff, as representatives of management, occupy a strategic position. Dealing, as they often must, with a tired and anxious clientele, many of whom are found wanting in one way or another, they are frequently called upon to make decisions that, depending on how they are communicated to the applicant, can reflect either good or ill on the company as a whole. The occasions when acceptance has to be deferred on medical grounds are relatively rare, but at such times it is the doctor's responsibility to explain carefully and sympathetically why it has been found necessary.

On the other hand, for every applicant who has to be deferred, several handicapped workers are likely to be approved. Company policy allows the doctor considerable latitude in this respect:

> The examining physician should decide whether the examinee has the physical and emotional fitness to undertake his job assignment and, if he does not, the doctor may suggest job categories in which the examinee might work safely. . . .
>
> The physician should learn to appreciate those individuals having really adequate personalities. When dealing with such people, he should never be guilty of turning the handicapped away if their handicaps do not affect their performance on a specific job assignment. For instance, some heart conditions, varicose veins, healed tuberculosis, diabetes under control, defective vision in one eye, an old polio, etc., may be a handicap for some jobs but not for others.

Before the new record system was installed it was always a matter of dispute as to who was the more frequent patient—the worker with a smashed finger or the worker with a headache. However, the records now show that occupational and non-occupational cases are about equal in number. The only significant difference between them is that most non-occupational cases are rarely seen more than once or twice by the doctor or nurse; the injured worker, on the other hand, may be attended to in the first instance by a doctor who will spend an hour suturing his laceration and will then have to see him another four or five times before he is discharged.

When the worker who takes sick on the job has a fever, or his illness has been diagnosed as one likely to last several days, or possibly even get worse, he is sent or taken home. His case is then taken over by his personal physician, to whom the clinic doctor gives all pertinent information.

Though employees who suffer from minor illnesses on the job are not required to go through the clinic before they are excused from work, the foreman can always urge them to go there whenever he deems it advisable. All employees who, because of injury or illness, are absent for more than two weeks are required to clear through the medical department before resuming work. Workers absent for shorter periods, and those suffering from repeated illness can also have a thoroughgoing medical examination before they return to their jobs.

Another important aspect of the clinic's work is the periodic health appraisal program, which has recently been extended down to first-line supervisors. The examination is scheduled to take place once every five years for those under 40, once every two years for those between 40 and 55, and once a year after they reach 55. However,

all management personnel above a certain salary level are examined annually. In addition to a good history and physical examination, the check-up includes the common laboratory tests—urinalysis, white blood count, and hemoglobin and blood chemistry—vision and hearing tests, and X-rays of the chest and teeth. Examinees are also given an electrocardiogram wherever this is indicated, or when they are over 45, and a test for syphilis under 40.

The examination is on a voluntary and confidential basis, and the reports are made available to the examinee's personal physician and dentist. The full benefit of the program depends, therefore, upon how far the examinee cooperates in remedying whatever correctable conditions may have been found. A follow-up system is used to prod procrastinators into taking the necessary treatment.

General Electric has a fixed retirement plan under which retirement is optional at age 60 and compulsory at age 65. (For women, the age limits are 55 and 60 respectively.) However, employees with at least 15 years' service can be retired on grounds of disability, and the determining of disability is another of the clinic's important functions. Retired employees are allowed to use the clinic for such services as electrocardiagrams, X-rays, and so on. They are also given clinical examinations for specific complaints and advised as the diagnosis indicates. It may be added that while most pensioners appreciate these privileges, they do not abuse them.

In addition to its health appraisal program, which covers more than 3,000 supervisory personnel, the clinic regularly examines many groups of workers whose jobs entail potential exposure to sand dust, tri-chlorethylene, lead, and other toxic materials. This medical control program is supplemented by the engineering control program continuously being carried on by the industrial hygiene laboratory.

The laboratory, which is responsible for safeguarding the health not only of the employees of the Schenectady plant but also of other GE personnel throughout the country, is staffed by two hygienists and their helpers. It works in cooperation with the safety supervisors of the various departments of the plant. Methods and planning engineers consult it about potentially harmful materials and the use of less dangerous substitutes. The laboratory is also in charge of the noise control program and plant sanitation generally. One important phase of its work in this area is the supervision of food handling and food services. All restaurant facilities are regularly inspected to insure that refrigeration and dish-washing methods are up to standard. Regulations have been set up governing the disposal of perishable foods that are not consumed within one day, and the personal hygiene of all food handlers is carefully watched.

Food handlers are given semi-annual health examinations, to eliminate any risk of active tuberculosis, typhoid carriers, and other sources of contagion. In addition to these public health measures, all operators of moving vehicles, such as crane operators, chauffeurs, and truck and bus drivers, are examined once a year, as

a check on their physical fitness for their work.

All told, the clinic regularly examines some 500 employees as part of its public health and accident-prevention program, and an additional 1,500 foundry, pottery, and chemical workers as a safeguard against occupational disease.

These preventive measures, combined with the pre-placement examinations and the supervisory health appraisal program, add up to a considerable volume of work. One reason it is accomplished so smoothly is, as has already been mentioned, the well-planned layout of the clinic itself, which enables examinees to move rapidly from one test station to the next. Another is the new medical record system, which uses standard-size papers that are all filed in one jacket and can be quickly reviewed and compared. The forms are put up in "snap-out" packages of six copies interleaved with carbon paper, so that such details as name, date, and Social Security number can be recorded simultaneously.

The voluminous nature of the unit's work calls for a fairly large staff. The doctor in charge of the clinic has six doctors, 20 nurses and technicians, three physiotherapists, and 12 clerical personnel under him. All told, the unit employs about 66 people.

Bearing in mind the original investment, to say nothing of current operating costs, how far can the clinic be said to "pay its way"? This is a difficult question to answer. On the tangible side, the annual cost per employee works out at about $18; the unit cost, about $2 a call. Though this amounts to a sizable sum, the company prefers to look upon it as an investment in the health of 35,000 people that is bound to pay dividends in the long run. The average GE employee is paid about $4,000 a year. Thus, a mere 1 per cent improvement in morale, cooperation, and efficiency can be regarded as being worth $40 in extra production. It has been calculated that the clinic's good-vision program will increase some employee earnings by about $100 a year. Several millions can be saved, too, by the hearing-conservation program. Such factors as these can be looked upon as helping to reimburse the investment costs and perhaps ultimately showing a profit. Fundamentally, however, the clinic justifies itself as an instrument for maintaining health. Good health is its own reward.

According to the Loss Prevention Department of the Liberty Mutual Insurance Company, a good in-plant medical service can reduce the cost of compensation and employee benefits by from 25 to 30 per cent. Though it is too early for the GE clinic to confirm this prediction, there is every prospect of its being able to do so one day. In the meantime, the doctors, nurses, and other para-medical aids who make up the clinic's staff are dedicated to one of the most satisfying callings in life—rendering valiant service in a modern medical workshop.

MANUFACTURING supplies about one-third of all non-farm wage and salary jobs in the United States; transportation, communications, trade, and finance, another third; and all other activities, including government, the remainder, according to a recent Twentieth Century Fund study.

Preparing for Renegotiation—One Company's Method

BY THE TIME management has finished negotiating a labor contract, refinements and changes may already be needed. While this state of affairs is usually no reflection on either party to the negotiations, some alert managements have set up procedures for keeping tabs on sections of the union pact which may need repair at renegotiation time.

The Minneapolis-Moline Co., for example, has devised a special form called "Record of Unsatisfactory Experience under Current Labor Contract," which it distributes to supervisors and personnel people. Whenever a foreman has trouble with a specific clause in the current contract, he fills out the form and sends it to the plant personnel head. At the end of the year, when the company is getting ready for negotiations, these filled-out complaint sheets supply many ideas on what to change and what to exclude in the contract.

A major advantage of this procedure is that the foreman can make note of the unsatisfactory clauses as soon as he runs into them, instead of waiting until the end of the year to make suggestions.

—*Employee Relations Bulletin* (National Foremen's Institute Inc.)

Materials-Handling Equipment and Supplies—A Purchasing Check List

IS YOUR COMPANY getting full value for what it spends on materials-handling supplies and equipment? A check of the following questions may show up some areas where your purchasing practices can be improved:

1. Do we use power equipment whenever possible for transporting and lifting?
2. Are we palletizing incoming shipments to facilitate handling in our own operations?
3. Are we getting maximum storage efficiency and freeing floor space with stackers and multiple storage units?
4. Do we call in materials-handling firms for expert help?
5. Do we know what materials handling costs us and what are we doing to reduce this cost?
6. Will overhead conveyers alleviate our storage problems?
7. Have we considered special handling attachments for our fork trucks?
8. Can we use portable conveyers at critical points to break bottlenecks?
9. Are we using hand trucks when power trucks can do the job faster and more efficiently?
10. Have we considered having our suppliers package in standard-count containers?
11. How far is our materials-handling equipment standardized?
12. Have we considered leasing vs. buying materials-handling equipment?

—*Purchasing* 6/55

Management's Stake in Promotion from Within

IN THE OPINION of a good many management men, the frequent infusion of fresh blood into a company is one of the surest ways of keeping it flexible, alive, and ready to meet the challenge of competition. Uniform adherence to a policy of filling positions only from within the organization, they maintain, is ill-advised, even dangerous—for the simple reason that people within the organization "cannot see the forest for the trees." Being with the company so long, the argument runs, they are completely identified with it and cannot detach themselves from it for an objective point of view. Seeing the same people, year in, year out, they tend to think all alike. They cannot bring really fresh vision to the work of the organization or break out of their traditional patterns of action. They are too used to established methods to be capable of innovation.

Undeniably, this reasoning has merit; but it simply does not go far enough. First, we must consider the make-up of the average corporation. It cannot be completely staffed with sycophants who cannot call their soul their own. There is a hard core of intelligence and originality in any company, a core of vibrant, thinking, active people. And there are many more of them than will appear on superficial observation. The reason they aren't heard from in many companies is that they can do themselves, and the corporation, absolutely no good by opening their mouths. Discretion is the better part of valor, and so they quietly go their ways, doing what good they can, which admittedly is not much.

We are born and raised in a political atmosphere which glorifies free speech, where there are actually men who will not agree with you but will defend your right to say what you please. But political man is not economic man. It is an accepted truth that the Christian on Sunday can be the ravening wolf on Monday. By the same token, the man who acts like Washington at the polls can act like Molotov at the office. In the welter of free speech in the press, on the radio and television, in books or magazines, or even at conventions, we become so acclimated to freedom that we may overlook the last backwash of tyranny in the country—the office.

In a great many companies where an infusion of new blood seems to be needed, the old blood has never been permitted to circulate. Where conditions are such that ideas are not flowing back and forth freely, the infusion of new blood, while it may show results at first, will soon flow through the same hardened arteries as the old, and coagulate into the same sluggishness. The new men will get squashed just as badly as the old. Or if they continue to put forward new ideas, they will soon be seeking employment elsewhere.

In all too many cases, management hears only what it wants to hear. And under pain of having his corporate head lopped off, the employee be-

comes adroit at saying only what management wants to hear—or at least adept at *not* saying what management does not want to hear. This is not cowardice or sycophancy, but intelligent adjustment to things as they are. And to things as they are, not as he would like them to be, any new man must also adjust. Then, in adjusting, he loses whatever value he might have had in the first place. Clearly, the fault is basically not in the people but in the very structure of a corporation, which is the antithesis of a democracy. If we face and understand this simple fact, we will stop blaming the underdogs in corporations for what is essentially not their fault.

Management is often unconscious of these suppressive tactics, but they are as effective as if they were deliberate. The man with an idea, once he meets with opposition from a superior who is wedded to the status quo, may find that suffering in silence is his only logical recourse. Seldom will a golden tongue or a different presentation or a marshaling of more facts alter the outcome of his efforts if—as is frequently the case—he is dealing with a man who is determined to do nothing he does not have to. In such cases, is there any reason to think that new men infused into the corporate stream would act any differently in the long run? The fundamental fault is in the structure, not the people.

—JOHN RHODES. *NYPMA Bulletin* (New York Personnel Management Association, 19 West 44 Street, New York 36, N.Y.), March, 1955, p. 14:8.

Automation: Liberator of Labor

WHEN ORGANIZED labor claims that every innovation of automatic tools reduces the importance of the skilled craftsman, the assumption is not entirely without merit, but long-range experience has proved repeatedly that the opposite is true. Change is usually a cause of worry to most people—even when it is for the better.

For more than half a century, vending machines have been in use in most modern countries—without making the slightest dent in existing employment. On the contrary, automatic devices have speeded up the consumption of new products, and—more than anything—have benefited labor with a shorter workweek and higher pay.

In business offices, particularly, automation has rolled on steadily, and so quietly that few people realize the manufacture of business equipment has grown into a $2 billion industry. Electric calculators and adding machines have been in use longer than most people can remember. More than ever, the use of office machines expanded in the period following the end of World War II, with a variety of automatic time clocks, electric typewriters, card punchers, sorters, analyzers, accounting machines, etc. But, in spite of this mushrooming adaptation of electrical gadgets in all places of business, the number of people working in offices has increased in the

same period from 5 million to 8 million.

It is, of course, not the many small machines in offices that organized labor views with suspicion. Rather, it is the giant robot that some day may take a man's place at the assembly line in plants and factories—the giant, minus heart and soul, that will start and stop production lines, correct faults in manufacture, inspect the finished product, and pack and place it on the conveyer belt that will bring it to the loading platform and start it on its way to distributors and consumers.

The mechanical brain has been particularly impressive in its computations. But this is only a small part of the possibilities in automation. One of the great builders of intricate electronic systems is already offering a machine which will open all the doors at a given time in the morning, put on the lights, turn on the air conditioning, and shut up shop at night—all without prompting from human hands.

These are the capital items; but none of the big manufacturers will concentrate exclusively on equipment costing a million dollars. In time, the units will range down the line from accounting machines, cash registers, and miniature computers to a number of items not dreamed of as yet. Automation may eventually surpass the automobile as the giant in U. S. industry. By then it will probably have absorbed all the mechanics displaced in the automobile industry—and still not be able to cover its own needs for skilled labor.

—*The Biddle Survey* (Biddle Purchasing Co., New York), April 5, 1955, p. 2:1.

"Maybe we can get there before it's filed."

—*Bankers Monthly* 2/55

Speaking Up for Industry

SINCE 1950, Republic Steel Corp. personnel have given 1,753 talks before 124,462 people. Republic is just one of many companies that have found their voice through an organized speakers' bureau. More and more firms are realizing that they can build better relations through keeping the community informed. General Electric, for example, has over 10 speakers' bureaus in its various divisions. "Sometimes we're snowed under with requests for speakers," a company official admits, "but we encourage our people to address groups."

Lack of experience shouldn't hinder a firm from reaching the public through talks. U.S. Steel Corp. has developed a speakers' training program, while many other companies hire college professors to conduct a course in speechmaking, or send management personnel to night school.

If a high percentage of the company's personnel are trained to speak in public, management can select the best man for any given assignment. Often a technical man or plant representative, properly trained, makes a better speech about his specialty than a vice president who is already involved with a full schedule of speaking engagements.

U.S. industry must sell more than products today. Says one executive: "It's just as profitable to sell such intangibles as honest political practices, the need for engineers, and fundamental data on the American economic system. One good way is through company speakers."

—*Steel* 5/9/55

Group Pensions at Record Level

INSURED PENSION PLANS now cover a total of nearly 4 million workers under 17,280 group contracts and represent a total of nearly $10 billion accumulated toward future retirement income, according to a recent report by the Institute of Life Insurance. This represents a material increase in pension protection, although fewer new pension plans were set up in 1954 than in the previous year.

The income set up for future payment under these insured pension plans is in excess of $1.6 billion and is increasing as additional annual increments are paid for by employer-employee groups. The premiums set aside by these groups totaled $1,325 million last year, of which approximately 85 per cent was paid by employers and 20 per cent by employees.

Group annuities cover the largest single block (over 80 per cent) of persons now under insured pension plans. Income set up under the group annuities comprised 63 per cent of the aggregate income under all insured pension plans, since most group annuities are reported on the basis of annual increments paid for to date, with additional amounts paid for each year the worker continues under the group coverage.

A growing portion of the group annuities is made up of a relatively new type called the "deposit administration plan," which accumulates an undivided fund out of which annuities are purchased as the individual members of the group retire. More than 835,000 workers are now covered by this type of plan, mostly set up in the past five or six years.

For the Specialist . . .

Testing the Effectiveness of Package Design

IN GENERAL, it appears, market-research procedure on packaging is conducted similarly in all companies today, but varies greatly in the degree of study that is done, depending on the evidence required to arrive at a final decision, the budget available for research, the size of the company, and its particular problems.

It also appears that most firms are still groping and hoping for more reliable measurement criteria. Packagers today do not want to know simply how many people say they will buy a certain packaged product; they want to know *why* they buy.

The need for a new package may arise for a variety of reasons—to improve competitive position, to introduce a new product, to offer greater consumer convenience. But as soon as the desire is put into action, a design must be selected.

In the preparation of the initial designs, it is well to use a carefully prepared check list of points covering known characteristics of the product, its market, consumer buying habits, package size, competition, desired appearance for identity, information, attention potentials, etc.

It is usually the management's job to narrow down the original series of designs to a workable number by opinion or vote among representatives of sales, product development, advertising, production, legal, and packaging departments. When major changes are contemplated, like redesigning a long-established trademark or introducing a radically new color scheme, most managements will not make a decision today without trying to get a pretty sound indication of consumer reaction.

Obviously, the first place to turn for a wider range of opinion is a company's own employees. No matter what professional researchers have to say about this practice, it is quite generally used. Companies with large office and plant forces feel that opinion tests among employees in a wide range of income and social groups can provide a starting point at least. The wise manufacturer, of course, will not go far in making a package decision without getting the opinions of his sales force. Not only does their reaction provide valuable clues to market acceptance generally—but no package, no matter how good, can be a success without their cooperation.

If a need for more far-reaching data becomes apparent, the consumer opinion poll technique is put into operation. Selected groups of consumers are asked their preferences on color, design, package functions, and other features in which the manufacturer may be interested. Some large firms maintain a continuous panel of known users of their products and competitive ones,

which can be selected by age groups, income groups, sex, occupations, geographic distribution, or other specific breakdowns as required. Such panels have come nearer to providing accurate sampling of opinion than the house-to-house or street interview.

Experience and observation have shown that color is one of the deciding factors in package-design preferences. In recent years a great deal of statistical data has been collected by professional research organizations on color preferences which can be employed as guides to color selection. This information can be employed effectively in the selection of package design, but, of course, must be related to competitive conditions, store lighting requirements, the characteristics of a product, its uses and its market. Visual ratings of package design obtained through optical instrument tests can determine shelf visibility and legibility of designs as well as eye travel over the various elements of a design.

False and contradictory results from opinion research have attracted marketing men to new kinds of research, supposedly capable of adding more qualitative data to the quantitative. Proponents of psychological research maintain that new methods get beyond the conscious answers that people give in opinion testing. Research departments of all companies are keenly interested in these new dimensions in research to obtain the qualitative data that up to now have not been obtained through large-scale opinion polls.

In the final analysis, the only real test of how a package sells is to get it on the market and try it. Most firms usually start with limited production and tests in selected markets. These may be determined by concentration of distribution, the type of outlets desired—any number of factors, depending on the type of package or desired information—or just because the company can get the best dealer cooperation in certain spots.

When the package change involves a whole family of products, it is sometimes advisable and economical to conduct the market test with only one product.

A new package form or a package with a new kind of convenience feature may require closely controlled markets tests. Bristol-Myers figured that a certain number of shoppers would try its new roll-on deodorant package once because of novelty, but was uncertain whether the same shoppers would come back for more. In test markets, therefore, cooperating dealers were paid a cash incentive to get the names and addresses of all purchasers to check whether shoppers returned for second purchases.

—*Modern Packaging*, Vol. 28, No. 6, p. 83:10.

THINGS TO DO AFTER 60: A survey conducted in Cleveland reveals that while more than 45 per cent of the firms surveyed had some kind of preretirement program, only 13 per cent were referring retirees to any of the many local services or organizations for older persons which might help them to enjoy their retirement.

—*Nation's Business* 6/55

Package Size—New Marketing Football

NATIONAL ADVERTISERS are changing the size of their packages. Both smaller and larger sizes are on the increase. Nobody knows where all this shifting in sizes of product packages will end, but package designers think it's a healthy sign. They point out that it means the manufacturers are continually aware of the importance of their package in creating impulse sales.

Retailers are a little more skeptical. With shelf and display space at a premium, they admit the constant shifting of package sizes plays havoc with their own merchandising problems.

Behind this package switching is the old marketing game of beat-the-competition. Some of the strategy here is obvious, some is considerably more subtle.

The soap and detergent manufacturers have been fighting a rather obvious battle of the economy size for some time. The trend to smaller packages is another story. Here the strategy goes off in a number of directions. H. B. Pearson, general sales manager, Alton Canning Co., says the chief one is that the chains and other big food retailers want a package that can be retailed within a definite price range. Often the difference in price between a 20-oz. and 16-oz. can is enough to put the higher-priced item into a bracket that is beyond the thinking of many consumers. For another thing, apartment-style living and congested storage space in the modern home also have contributed to the small-size trend.

—NATHAN KELNE in *Printer's Ink* 3/18/55

Making Purchases for Employees—A Survey

THE COMPANY PURCHASING DEPARTMENT is a logical place for the discount-conscious employee to seek help in getting a "better price" on his own purchases. Some firms encourage the practice, others tolerate it, a few prohibit it. Here are some of the findings of a survey on the subject conducted recently by *Purchasing* magazine:

Thirty-four per cent of the respondents replied "yes" to the question: "Does your company assist company personnel in making personal purchases to obtain advantages not available through regular channels?", but only 20 per cent of these do so "officially." The answer was "no" in 14 per cent of the cases; "occasionally," in 52 per cent.

In 35 per cent of the companies, the service is restricted to certain categories of personnel. In order of mention, these were: executives, office personnel, supervisors and department heads, salaried employees, employee associations, purchasing department personnel, and sales personnel. Sixty-eight per cent of the companies use a company purchase order in making personal purchases for employees. Five per cent make a "handling charge" to the employee for making personal purchases.

Asked for an opinion of the "public relations" effect of the policy of making personal purchases for employees, 71 per cent agreed its effect was good as regards employees and 26 per cent thought it benefited relations with vendors. Forty-two per cent conceded that its effect on relations with vendor merchants was to some extent undesirable. Fifty-seven per cent, however, believe the over-all advantages of the policy outweigh its disadvantages.

Does the Conference Leader Talk Too Much?

How much conference time is a leader himself likely to spend talking? How much time would be an expected or fair share for him? When is the leader consuming so much of the conference time that he is depriving the conferees of an opportunity to participate? These are the questions that may be asked by anyone engaged in the demanding task of leading conferences. These are the very questions, however, that are most difficult to answer.

The nature and purpose of a conference will affect the degree of participation on the part of the leader. Consider the two main types of conferences that a person may be called upon to lead and the objectives of each.

THE TRUE CONFERENCE

This type is based on the assumption that there no preconceived solutions or conclusions. Such a conference is also referred to as a straight unguided, free, undirected, developmental, or open conference. In a conference of this nature, the leader does not try to force his opinion upon the group. In fact, the content may be such that he has had no experience pertinent to the conference topic. The leader is successful if (1) he so stimulates the group that they contribute readily from their experiences pertinent to the topic; (2) the conferees cooperatively use group thinking; (3) he uses his leadership ability to help them formulate their own best thinking directed toward a solution of the problem. This method assumes that the entire group will determine the final outcome. Complete participation is necessary to achieve 100 per cent group acceptance regardless of the amount of time it requires.

THE GUIDED CONFERENCE

This type differs chiefly from the true conference in that the objective is to provide additional information for members of the group. A teacher-learner relationship is recognized to some extent. In the process, however, experiences are pooled, discussion is free, and the conference approach is conditionally maintained. In a sense, then, the conferees gather to be given answers which are already known in whole or in part to the conference leader and perhaps others. This method is also known by such terms as the directed, teaching, training, educational, controlled, shaped, or instructional conference.

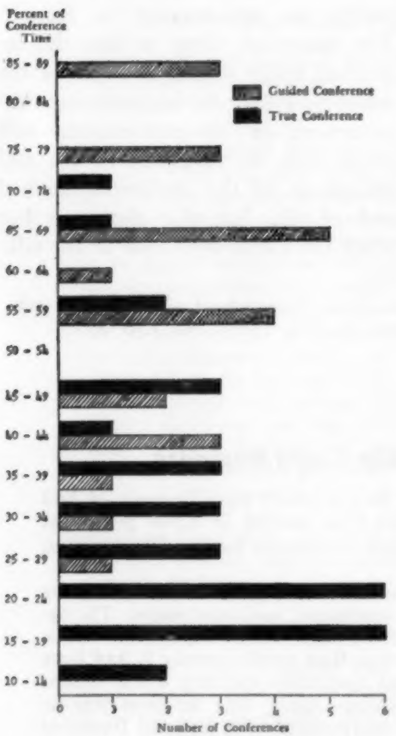
In the guided conference, the leader attempts to lead the group to a predetermined line of thinking and in some cases to a predetermined conclusion. The techniques employed by him differ from those used in the true conference. He strives to maintain his planned course of action in spite of sidetracking questions or answers with which he is not in agreement. The experienced leader may accomplish this by confining the discusssion to recognized facts or ideas and by carefully wording his questions. This "steering" may be done in such a manner that the conferees do not

resent the guidance applied by the leader.

MEASURING CONFERENCE LEADER PARTICIPATION

To measure leader participation, a timing device was constructed in order to determine accurately just how much conference time the leader consumed. This device consisted of a synchronous motor which moved a paper tape at a constant rate of speed. The time used by the leader was recorded on this tape as the conference was in progress.

Time Used by Conference Leaders



In pooling the results of 30 conferences of the true conference type, it was learned that the leaders spoke, on the average, for one out of every three minutes—32.1 per cent of the time. The difference between individual conference leaders was great; the percentage of time that the leader was actively participating ranged from a low of 10.2 per cent to a high of 71.8 per cent.

In a similar study of leaders of 24 guided discussions, the dominance factor was even greater. The average leader of a controlled discussion participated in excess of 5½ minutes out of every 10—56.4 per cent. In these conferences, also, there was a wide range in percentage of time taken by leaders. In no controlled discussion did the leader consume less than 29.9 per cent of the time, and the maximum was 89.4 per cent.

The accompanying chart presents a breakdown of the percentages of conference time used by the leaders of the guided and true conferences.

Leader dominance was further exaggerated when the leader was a recognized "expert" in his own right. In the conferences of a guided nature, conducted by an expert, the leader took up 73.9 per cent of the conference time; no expert consumed less than 55.4 per cent. The very nature of such leadership induced the conferees to sit back and ask questions rather than to participate in a discussion.

LEADER ATTITUDES

Most leaders told the author they did not want to dominate the discussion; they were not aware of the situation. Several times, the leaders were

asked to estimate the amount of conference time they were consuming. When the actual figures were brought to their attention, they were appalled by the amount of time used by their own talking. Leaders who recognize the value of the conference method and have a desire to improve their own performance may find it worth while to follow Shakespeare's advice, "To hold, as 'twere, the mirror up to nature."

Some causes of leader dominance are: (1) He may be so interested in seeing that the conferees present "get" as much as possible that he actually stifles discussion; (2) He may not have been taught by the conference method and therefore may not have developed a complete understanding of, or appreciation for, the merits of this method; (3) The topic for discussion has much to do with the degree of participation by the leader. If the topic is one in which the group has a genuine interest, the leader will remain more in the background because he will not need constantly to "draw out" the discussion.

CONCLUSION

A practical conference leader is inclined to ask: "If I have been consuming too much time, what is the desirable amount?" The real solution, however, does not lie in fixing a percentage of the available time. Such a figure would, at best, be a wild guess since no conference can be considered "typical" and therefore no single proportion of leader participation can be labeled as most desirable.

The amount of talking done by a leader will vary with the type of conference and also with the topic. If a leader is consuming more than one-fifth of the total conference time, however, it would be wise for him to justify his performance to himself. The important thing is that the individual leader should be aware of the amount of time he is consuming. Improvement in his performance will result from an awareness of the real advantages of the conference method and of the fact that these are lost when the leader does most of the talking.

—H. LeRoy Marlow. *ILR Research* (New York State School of Industrial and Labor Relations, Cornell University, Ithaca, N. Y.), Vol. 1, No. 1, p. 11:2.

What Bad Penmanship Costs Business

COMPANIES ARE LOSING thousands of dollars every year because of bad penmanship, it appears from a nation-wide survey of 3,000 personnel directors of banks, utility and insurance companies by the Handwriting Foundation, Inc.

A Dallas, Texas, bank estimates that it is losing up to $5,000 a year because of illegible handwriting by employees and customers. Thirty-nine per cent of the companies queried reported similar significant losses.

A midwestern phone company reported that until recently it had been losing up to $50,000 annually because operators couldn't write tickets plainly enough for the company to charge them. The problem was so acute that the telephone company, in conjunction with its local Board of

Education, initiated a training program to teach employees to write more legibly.

Many of the personnel directors surveyed reported that anywhere from 21 to 25 per cent of employees used handwriting that was illegible "almost all the time." Though most of them would not hazard a guess as to exactly how much was lost annually as a result of illegible handwriting, it was generally agreed that the lost time involved in tracing down illegible entries in account books, order blanks, customer requests, etc. was considerable.

Thirty-eight per cent of the personnel directors surveyed said that they placed "great value" upon legible handwriting in considering job applicants. The overwhelming majority (88 per cent) agreed that handwriting was an important factor in hiring new employees, and 29 per cent said that it was used as a criterion for job advancement.

Jobs where it was felt that handwriting was of particular importance include bookkeeping, accounting, tellers, cashiers, and secretaries. Some of the executives who answered the questionnaires admitted, however, that their own handwriting was deplorable.

How Integrated Data Processing Pays Off

MANAGEMENT has taken a rather mixed view of the reported expense of electronic data-processing systems or units either now on the market or planned. "What will it do for us?" and "What will it cost?" are the most usual questions.

Recently *American Business* magazine conducted a survey among 100 companies that are daily using electronic calculators, computers, multipliers, or special-purpose machines in connection (full or partial) with integrated data-processing systems.

Fifteen per cent of the respondent companies reported they were unable to figure savings in dollars, but that substantial savings in time, labor, and equipment had been realized. Twenty per cent reported dollar savings resulting from the use of new equipment amounting to from 10 to 15 per cent of previous costs for the same operations (including labor and equipment). Forty per cent reported dollar savings amounting to from 15 to 25 per cent; 13 per cent, savings from 25 to 30 per cent; and 12 per cent, savings from 30 to 45 per cent.

Eighty-eight per cent reported that no employees had been discharged because of the installation of the new high-speed electronic data-processing equipment, but 45 per cent reported the transfer of from 10 to 15 per cent of employees to other work or other departments.

Forty-two per cent of the companies agree that substantial dollar savings on labor costs (varying from 15 to 55 per cent) have been made on certain routine data processing now handled by the new integrated electronic systems.

—*American Business* 3/55

IT'S A FACT: "Our Products Are Known by the Customers We Keep" is a natty slogan used by Harnischfeger Corp. (Milwaukee, Wis.) as its key to the quality-control campaign.

—LAWRENCE STESSIN in *Mill & Factory*

For the Specialist . . .

Facts on Product Liability Coverage

PRODUCT liability insurance provides protection for bodily injury and property damage claims arising out of the use of manufactured "products." It covers the handling or use of the products manufactured as well as the existence of any condition in or warranty of the merchandise. (The term "products" here means merchandise which has been sold and possession of which the manufacturer has relinquished to other people.)

Generally speaking, a manufacturer is legally liable for damages to persons or property only when there is some degree of negligence on his part, such as selling a defective product, or merchandise which is not in fact what he represents it to be. The insurance company agrees only to pay for those claims for which he may be legally liable. Therefore, the insurer is not unreasonably influenced by considerations the manufacturer may wish to show to his customers. In fact, one of the benefits of this coverage consists of the investigation of a claim by competent claims investigators of the insurance companies. A further benefit is the handling of the defense of all such claims whether they are valid or not.

The policy contains a limit for any one accident or occurrence. The words "accident or occurrence" are used for the reason that most underwriters will extend the policy's bodily injury insuring clause to an "occurrence" basis, but refuse to write the product property damage in the same manner and will only insure this hazard on a "caused by accident" basis. This limit per accident or occurrence applies to all damages which may arise out of one prepared lot of goods or products.

This means, for example, that, if a wire manufacturer produces 1,000 feet of defective wire which ultimately becomes part of the electrical system of three frame dwellings and causes a bodily injury claim in each of the three dwellings, the limit of liability—or the total amount which the insurance company would pay as a result of these three claims—would be considered the "limit per accident" since the wire causing the injuries was from a single prepared lot.

Because of the possible grouping together into one accident what normally would be considered several different accidents, it is most important in the event of a claim that immediate steps be taken on the part of the manufacturer to determine the extent and cause of any defective merchandise that may have been sold by him, in order to prevent further claims that would use up the limit per accident. The insured alone must pay for these expenses to prevent further losses, as the policy does not provide for reimbursement.

The second limit of liability is

called "aggregate products," which is the total amount that the insurance company will pay for all damages arising out of accidents which occur during the period the policy is in force. In other words, several different serious losses in the first few months the policy is in force could conceivably use up this aggregate limit of liability. There is an aggregate limit for both bodily injury and property damage claims. The third limit of liability is the familiar bodily injury limit per person.

It is important to understand the distinction between an "accident" and an "occurrence," since this materially affects the extent of property damage coverage.

As an illustration, let us assume that our wire manufacturer made 1,000 feet of defective wire which was ultimately installed inside the walls of a six-story, brick office building. The defectiveness of the wire was not discovered until after the building had been completed. No damage had been caused either to the walls of the building or to any persons in the building, but the wire had to be removed and replaced, at considerable expense. This situation is not covered by Product Liability insurance, for the simple reason that no accident has occurred. Tearing the walls down to replace the defective wire is, of course, a case of willful or intended damage, which is definitely not covered in a liability policy.

Had the defect not been discovered until it had caused damage to the building, such as explosion, burning, etc., then the resulting damage to that part of the property would have been covered under the terms of the policy.

We should further keep in mind that product liability insurance includes those claims arising from a "warranty of the merchandise" made by the manufacturer. Therefore, in the event of an "occurrence" causing bodily injury claims or an "accident" causing property damage claims, we have coverage under the policy even though there was no defect, mistake, or negligence in the manufacture of the product.

Every manufacturer should know that he can add as an insured under his products liability coverage any or all of his vendors—jobbers, wholesalers, and retailers. These additional interests on the policy are covered only with respect to the insured manufacturer's products, not for any liability arising from their own negligence.

A manufacturer must exercise care in revealing this information to his vendors in order to avoid statements wherein he might be considered as assuming liability for any accident. Such assumption of liability is not covered by the policy. A simple certificate of insurance prepared by the insurance company is the proper medium to convey this information to the vendor.

—ROBERT C. MAHONY. *Rough Notes*, May, 1955, p. 108:4.

A GREAT DEAL of room at the top is made by men who have gone to sleep there and fallen off.

—Sunshine Magazine

Safety Aids for Supervision: One Company's Program

J. L. RIDINGER
Director, Safety and Plant Protection
Inland Steel Company, East Chicago, Ind.

FUNDAMENTALLY, our safety problems at the Indiana Harbor Works of Inland Steel Co. are similar to those of almost any industrial organization. Men, women, supervision, utilities, and machinery are all required to process our raw materials into salable products.

During the past year our Blast Furnace Department worked 1,400,000 man-hours and our Structural Mill 1,500,000 man-hours without a disabling injury. Several other departments and divisions also established remarkable safety records.

What makes these records possible? The answer is a simple man-made triangle: properly trained workers, good supervision, and safe equipment.

Accidents can only occur through failure of one or more sides of the safety triangle. Most often it is the result of a human failure on the part of a worker. Sometimes it is due to human failure on the part of supervision. Equipment failure is seldom involved in more than 10 to 15 per cent of our accidents.

PROPER TRAINING OF WORKERS

We are fortunate at Inland in having an excellent Medical Department that not only checks the new employees but our regular employees as well. The Personnel, Medical, and Safety Departments work closely together to be sure workers are physically and mentally able to do their job. We consider it to be important for foremen to send their workers to the clinic if they are not well.

One of a foreman's best assets is his ability properly to train workers for their jobs.

Written lockout procedures are one important safety aid for our foremen. The utilities involved are electricity, steam, water, and oil hydraulic systems, gas and compressed air. Our objective was to develop a positive lockout procedure for the protection of operating and service employees, while adjusting or repairing equipment. Each foreman has a lockout procedure booklet for his division. Some departments have porcelain enameled instruction signs attached to each machine which lists the lockout procedure to be followed.

We also provide a variety of visual safety aids. Among these are an album of 2″ x 2″ safety slides, catalogued under various subjects. These are available for use in group safety meetings.

From an address before the Northern Indiana–Southern Michigan Safety Conference.

We also use them in an automatic projector, which is used in canteens, locker rooms, bus stations, and other places where workers gather.

We have a manikin which can be dressed to indicate proper safety apparel for specific jobs. It can also be dressed to illustrate various types of injuries involved in lost-time accidents. A tape recorder can be used with the manikin to emphasize the importance of wearing proper protective equipment or to describe how an accident occurred.

We have found a Polaroid camera useful since it develops prints in 60 seconds, and thus makes accident pictures available to the proper authorities for immediate study.

National Safety Council movies and safety films from other sources are available for supervisors' and workers' safety meetings.

Our departments have unsafe act programs. When a foreman finds a worker performing an unsafe act, he writes out a ticket. A copy is given to the worker, who is interviewed by his superintendent. The Safety Department publishes a monthly report of unsafe acts. Copies are sent to all foremen for use in group safety meetings. Picture stories of how the accident happened and how it could have been prevented are printed in four colors for contrast: green, red, brown, and blue.

Picture stories of how safety apparel or equipment prevented or minimized an injury are posted on safety bulletin boards throughout the plant.

Employees who perform an outstanding safety act that prevents an accident or an injury to a fellow worker are given U. S. Savings Bonds or watches.

In addition to *General Safety Rules* for the plant, we have assisted foremen in developing safety rules on a departmental and divisional basis. It is important for these rule books to be kept up to date. Some of these books are in foreign languages.

GOOD SUPERVISION AND SAFETY EQUIPMENT

Efforts such as these are of little value unless the workers have proper leadership—the second side of our safety triangle. Since time began the foreman has been responsible for the safety of his men and equipment.

He is expected to know the capabilities of his men. He is expected to plan the work using his knowledge and ingenuity to improve methods and job procedures. Knowing plant, departmental, and divisional safety rules is not enough. The hazards of each job must be analyzed and the proper safety measures taken to cope with these hazards. The analysis should be in writing and reviewed with foremen and workers on other shifts who are doing similar work.

In addition to teaching workers to do the job the right way, the foreman must be vigilant to see that workers comply with safe job procedures. It is even possible for him to make safety converts out of the "accident-prone" by special training and supervision.

The success of your safety program depends upon the support it is given by the foremen closest to your men. Top management can be sold, but if the foreman doesn't follow through, supervision can be the weakest side of your triangle.

The third side of the safety triangle involves tools, equipment, and buildings. You should be familiar with your state safety codes. Your engineering department should be familiar with the state building code, and standards adopted by the American Standards Association. You will also find the National Safety Council's safe practices pamphlets, data and detail sheets helpful.

You will find it to be a good policy to use only respiratory equipment and gas detection instruments approved by the U. S. Bureau of Mines. Your purchasing department will find it less expensive and safer to purchase materials and equipment approved by the Underwriters Laboratory.

If you build a strong safety triangle consisting of properly trained workers, good supervision, and safe equipment, you will have a safe and productive plant.

Atomic Energy—Industry Sets Its Goals

PRIVATE INTERESTS will shoulder about $300 million of the financial burden of atomic energy research during the next four years. Yet over the coming decade, the only substantial market for the products of this investment will be in propulsion reactors for submarines and possibly other naval vessels and aircraft.

This was disclosed in a detailed study of private atomic energy activities in the U. S. conducted by the Atomic Industrial Forum, Inc. Based on data supplied by more than 400 private organizations comprising 75 per cent of the total private U. S. atomic energy industry, the survey also discloses:

1. Between three and five million kilowatts of electric capacity may have to be built and operated at a loss or on a break-even basis before reactor-generated electric power can compete with conventional power. Large reactor power plants may be economical some time after 1962.

2. Components for reactor plants may be a $700 million annual business by 1963.

3. More than $7.5 billion will have been invested in the U. S. on reactor construction by 1965. By that time, reactor operation may be consuming annually 8,000 metric tons of natural uranium, including 26 tons of enriched uranium 235.

4. Private and government atomic energy developments will require 30,000 to 40,000 scientists and engineers in the next decade—about double today's figure.

The study predicts that atomic energy research and development will double in size by 1958 and redouble by 1965.

—*Iron Age* 5/19/55.

SURPLUS: The U. S. Army makes so many staff studies that sometimes two or more staffs are making simultaneous studies of the same problem, or one staff is setting to work on a study that has already been made, filed, and forgotten. This, reports Lawrence Stessin in *Forbes*, is the conclusion of a recent Army staff study.

Coffee Breaks and Rest Periods—A Survey of Company Practices

HOW PREVALENT is the "coffee break" in U. S. offices? A recent survey conducted in the Chicago area by the Office Management Association of Chicago covered 170 companies employing a total of 82,636 employees. Of these 170 companies, 128 said they had policies providing for regular rest periods, while 23 more, although allowing employees to take time off, had no formal policy governing such matters. Only 19 companies did not permit rest periods.

Two-thirds of the companies stated they allow rest periods of 15 minutes twice a day. Ten per cent give 20-minute rest periods. Breaks, where scheduled, normally are not allowed to begin less than an hour after the beginning of the working day, and they must be completed at least an hour before lunch or quitting time.

Fifty-four per cent of the companies distribute coffee from a central location, cafeteria, or lunchroom, although only seven serve it at the employees' desks.

Whether or not the coffee break does any good seemed not to be clear. Many companies thought that it brought no benefits, while others felt that it had some effect in improving company morale.

—*Office Management* Vol. XV No. 9

One-Day-a-Week Salesmen

"BY LETTING our inside men go out and sell one day a week, we've increased sales and boosted employee morale," reports Allen & Reed Co., a Providence (R.I.) industrial distributor.

For more than a year the company's purchasing agent, warehouse manager, telephone order man, assistant to the sales manager, and two engineers have been selling on the outside one day a week. The results argue persuasively that one-day-a-week salesmen work out fine—with benefits to both the men and management.

To the inside men, the plan means more money. In addition to their salary for inside work, they receive a commission based on a percentage of gross profit of their sales. Moreover, they are actually in training for a full-time selling job.

Management, too, has profited. The entire organization is more sales-minded. Morale has risen, and service to customers has greatly improved. The company has found, too, that inside men gained a broader concept of over-all problems and stimulated their thinking as to ways and means to improve operations. And it's easier to sell management policies to inside men who are better informed on over-all conditions.

—*Industrial Distribution*

DAYS TO REMEMBER: At Cities Service (New York, N. Y.) every foreman receives a calendar imprinted with the names and birthdays of employees in his department.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.)

Credit Life Insurance Expands

NEARLY 40 per cent of outstanding consumer credit in the United States is now covered by life insurance written specifically to protect the loan in the event of death, the Institute of Life Insurance reports.

At the start of this year, the life companies had more than $10.2 billion of credit life insurance in force (as against $8.7 billion the previous year), or 39 per cent of total consumer credit outstanding, excluding single-payment loans and service credit loans. The number of credit life policies in force January 1 totaled nearly 21 million.

Credit life insurance has grown rapidly in recent years, the present aggregate being some 28 times the total outstanding at the end of World War II. At that time, the $365 million of such life insurance outstanding represented only 9 per cent of consumer credit. Twenty years ago, credit life insurance represented only 2.5 per cent of consumer credit.

Group contracts account for nearly three-fourths of the aggregate credit insurance outstanding.

New insurance bought in 1954 showed a slight decrease from the year before, reflecting the drop in new credit extended during the year. The year's new credit policies numbered slightly more than 7.1 million and amounted to nearly $3.1 billion. The year before, upwards of 7.3 million new policies were sold for more than $3.2 billion insurance in force.

Death benefits have been paid in considerable volume under credit life insurance in recent years and increased 20 per cent during 1954, when $39 million was paid. That compares with only $1.4 million 10 years earlier.

Should We Trade Know-How with Russia?

CAN AMERICAN INDUSTRY help to ease international tensions? A recent *Mill & Factory* survey of 130 industrial firms of all types and sizes examined what might be gained by the interchange of business teams between the U. S. and Soviet Russia.

Although only 9 per cent of the respondents said that they would try to market their products in Russia (government policy permitting), 24 per cent were willing to accept the competition of Russian goods in the U. S. market.

That industrial teams should not be exchanged between the two countries was the view of 82 per cent of the respondents. The U.S.S.R. would gain more from such an exchange than would the U. S., 92 per cent believe.

The companies canvassed felt uncertain about Russia's acceptance of team reports; 34 per cent said that the reports would be ridiculed as propaganda, 63 per cent thought that they would be altered by the Soviet government, and 30 per cent believed that the reports would not be published at all. However, 5 per cent felt that the Russians would accept the reports as factual. One respondent commented:

"In my opinion, the Russian team, and possibly the U. S. team, would publicly report weaknesses only, while the good would be adopted wherever possible."

—*Mill & Factory* 6/55

Special Feature Section

REPORT ON EXECUTIVE COMPENSATION

Of far-reaching interest is this research study, which throws new light on some commonly held ideas about company size, sales, and profitability as they affect executive pay. Drawing on the most complete body of data of its kind—that of the AMA Executive Compensation Service—the author also offers some sidelights on executive turnover.

New Facts About Executive Compensation

DAVID R. ROBERTS
Department of Economics
Carnegie Institute of Technology

EXECUTIVE compensation is a subject about which much has been written in the last decade. The justification for another article is that the application of mathematical and statistical techniques which are proving fruitful in some other areas of business has led to a revision of some firmly held convictions about executive compensation. Since the analytic procedures employed are of interest chiefly to the technician, they are omitted from this article, and propositions established through their use are demonstrated by examples which convey the substance of the findings without technical obstruction.[1] The principal findings to be discussed here are (1) that the amount of executive compensation is unrelated to corporate profitability; (2) that it is significantly related to corporate size, slightly over half the inter-company differences in compensation being explainable by size differences; (3) that the foregoing relationship is loose enough so that wide individual variation is normal; (4) that companies in the utility, airlines, and other industries subject to governmental influence—possibly for that reason—pay their executives significantly less than is common in other lines, but that within the latter area, which is manufacturing, mining, and trade, there are no significant industrial differences in the amount of executive compensation; and (5) that executive turnover is low and concentrated on a small fraction of the executives who are relatively mobile. Characteristics of the corporation, such as compensation, size, industry, etc., are unrelated in general to the amount of turnover.

[1] Readers who are interested in technical proofs are referred to an article, "A General Theory of Executive Compensation Based on Statistically Tested Propositions," which will appear in a forthcoming issue of the *Quarterly Journal of Economics*, as well as to a forthcoming book by the writer which covers other aspects of executive compensation.

THE BASIS OF THE STUDY

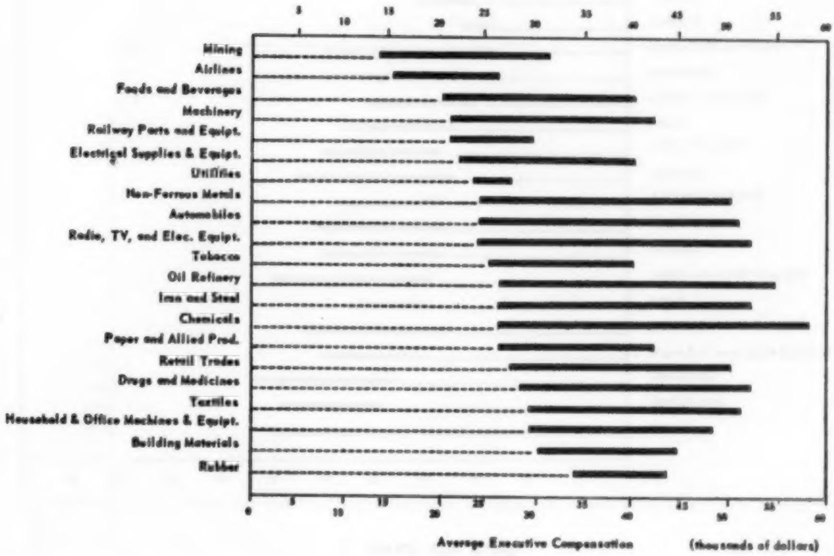
The findings of this study are based on the analysis of Securities and Exchange Commission data for a group of 410 corporations for the years 1945, 1948, and 1949, and an expanded group of 939 corporations for 1950. Eighteen branches of manufacturing, including all the major divisions, are represented, as well as mining, trade, public utilities, and airlines. The American Management Association, whose Executive Compensation Service constructed the sample and generously permitted the writer to use it, designed it to cover the bulk of each industry's output and to include companies of large, medium, and small size. The use of Commission data, which are all that are available, compels the acceptance of their definition of executive compensation—namely, salary and bonus payments to, and company contributions to the deferred compensation of, corporate officers and directors. Expense accounts and stock plans are excluded. The latter did not become common until after 1950, the terminal date of this study. Profit is defined as net income before federal taxes, long-term interest, and executive compensation. The first is added back because of the differential impact and changing character of the tax laws, the second in order not to discriminate between companies which finance by bonds and those which finance by equity capital, and the third because the relationship between compensation and profit is to be examined. Other terms will be defined in the context in which they are used.

COMPENSATION AND INDUSTRY

The existence of industrial differences in executive compensation has long been recognized. Chart 1 depicts their extent. The bars indicate the ranges within which the central half of the companies in each of 21 industries lie in terms of the average compensation of their officers and full-time working directors. There are substantial differences both in industry averages, which vary from $20,000 per year in mining to nearly $40,000 in rubber, and in the amount of scatter for the plotted firms, which varies from $4,000 in utilities to $22,000 in chemicals. However, it does not necessarily follow that the differences are due to industry itself, and in fact they turn out not to be. The low-paying lines of activity, such as airlines, utilities, mining, and railway parts and equipment, are heavily populated by relatively small companies or are subject to governmental regulation, while in the high-paying industries, such as rubber and chemicals, large firms predominate and market forces are free to operate. That these factors rather than industry itself account for the observed industrial differences can be seen from a comparison of Charts 1 and 2. In the latter, all industries are placed on a comparable size-of-company basis by plotting only companies having sales of $10-$20 million dollars; otherwise the two charts are similar except for the fact that three industries had to be omitted from Chart 2 because of the small number of companies in the designated sales class. In the second chart, the utility and airlines industries stand out as conspicuously lower than the others, and the differences among the latter are reduced to small proportions. Industry averages vary from about $20-$30 thousand instead of from $20-$40 thousand, and

CHART I

Range of Central Half of Corporations—21 Industries By Average Executive Compensation (1950)



DATA FOR CHART 1

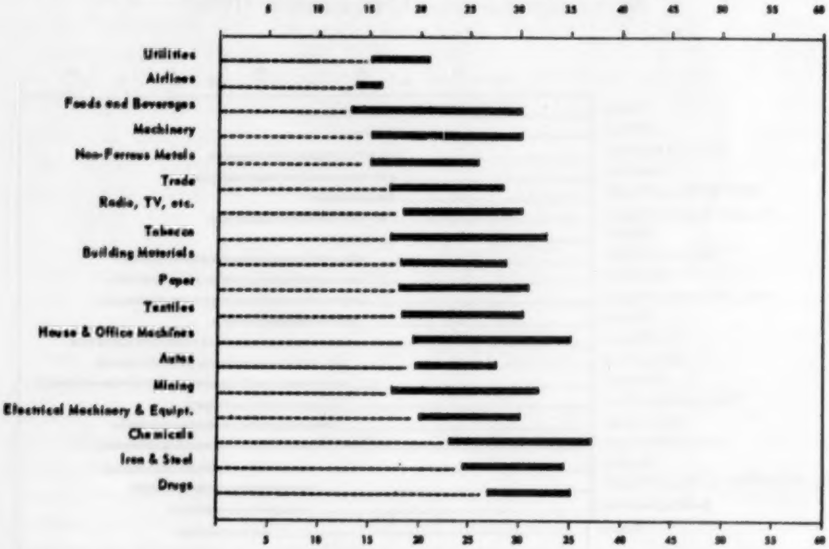
Range of Central Half of Corporations in Each of 21 Industries By Average Executive Compensation (1950)

(In thousands of dollars)

Mining	$13-31	Oil Refinery	$26-54
Airlines	$15-26	Iron and Steel	$26-52
Foods and Beverages	$20-40	Chemicals	$26-58
Machinery	$21-42	Paper and Allied Products	$26-42
Railwy. Parts and Equip.	$21-29	Retail Trades	$27-50
Elec. Sup. and Equip.	$22-40	Drugs and Medicines	$28-52
Utilities	$23-27	Textiles	$29-51
Non-Ferrous Metals	$24-50	Household and Office Machines and Equip.	$29-48
Autos	$24-51	Building Materials	$30-44
Radio, T.V., and Elec. Equip.	$24-52	Rubber	$34-43
Tobacco	$25-40		

CHART 2

Range of Central Half of Corporations with Sales $10-$20 Million—
18 Industries By Average Executive Compensation (1950)



DATA FOR CHART 2

Range of Average Executive Compensation of Central Half of Corporations Having Sales of $10-$20 Million, by Industry (1950)

Industry	*Range of Executive Compensation of Central Half of Corporations (Thousands)*
Utilities	$15-21
Airlines	$13-16
Foods and Beverages	$13-30
Machinery	$15-30
Non-Ferrous Metals	$15-26
Trade	$17-29
Radio, Television & Electronic Equipment	$18-30
Tobacco	$17-33
Building Materials	$18-28
Paper	$18-33
Textiles	$18-30
House & Office Machines	$19-35
Autos	$19-27
Mining	$17-32
Electrical Supplies & Equipment	$20-30
Chemicals	$23-37
Iron & Steel	$24-34
Drugs & Medicines	$24-35

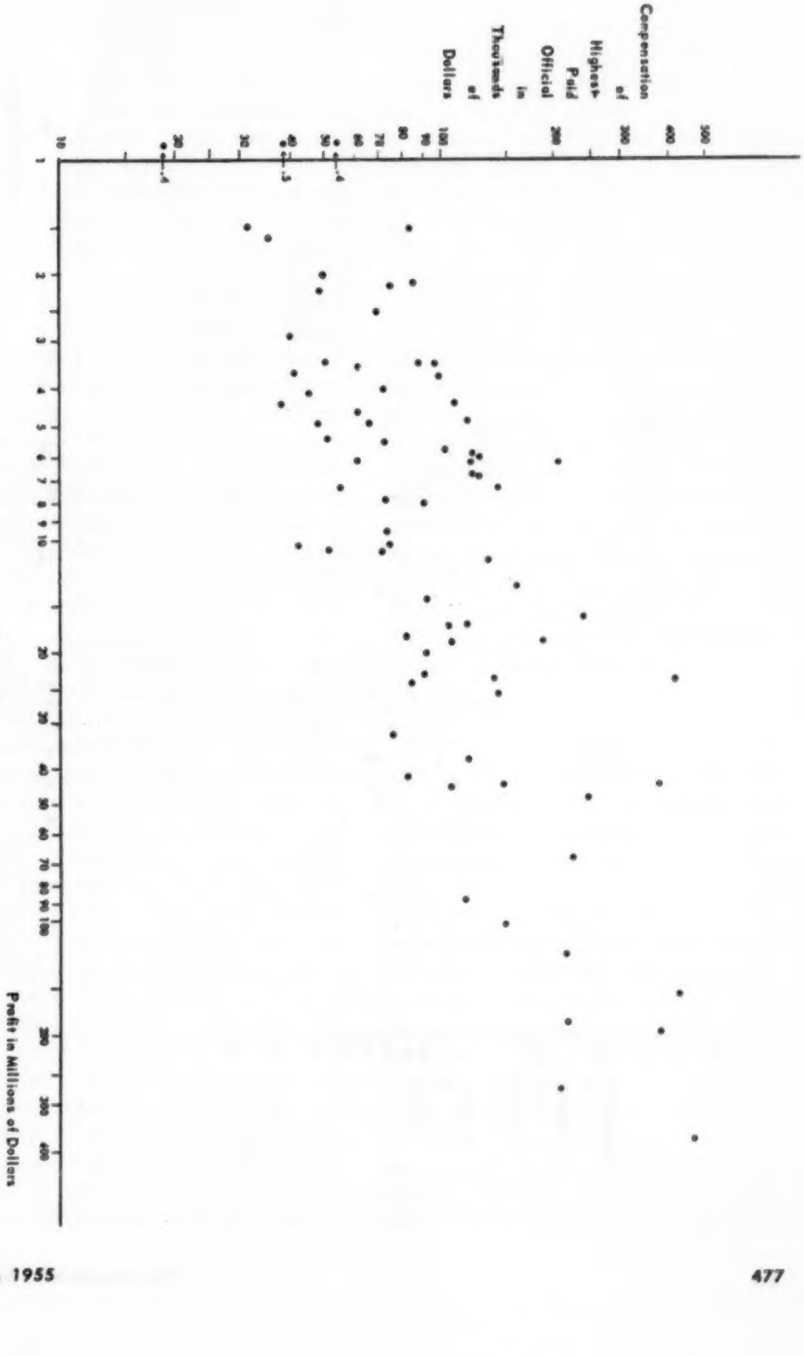


CHART 3

Compensation of Highest-Paid Official vs. Profit (Percentage Scale) 77 Selected Corporations

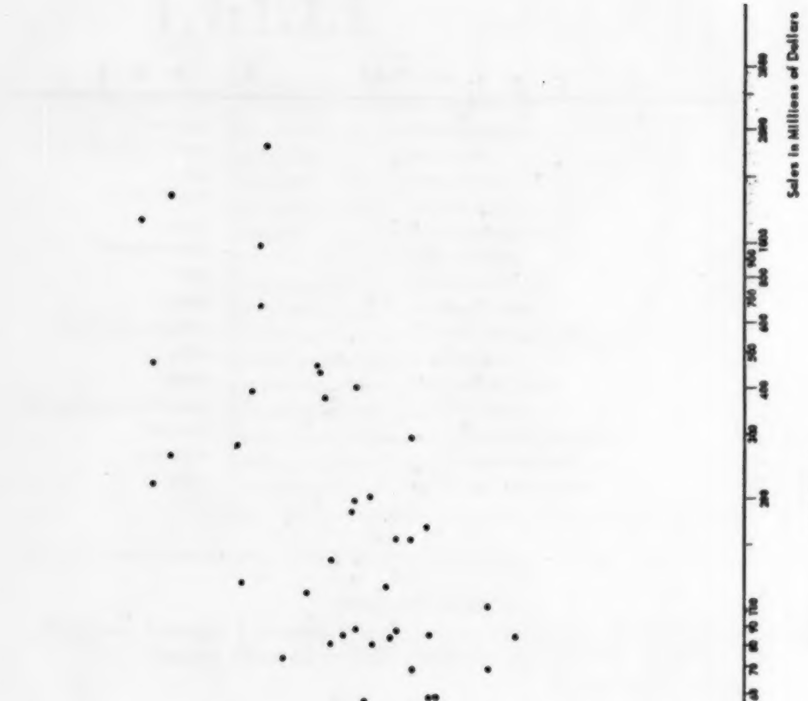


CHART 4

Compensation of Highest-Paid Official vs. Sales (Percentage Scale) 77 Selected Corporations

the scatter within industries from \$8-\$16 thousand instead of from \$4-\$22 thousand. Some variation is inevitable owing to chance factors of company selection. It has been established statistically (1) that within the area of manufacturing, mining, and trade the compensation differences are not significant when the influence of industrial differences in corporate size is eliminated and (2) that utilities and airlines consistently pay their executives less than companies of similar size in the first group of industries. It has not been proved that governmental influence is responsible in the latter connection, but that appears to be likely, in view of the known attitude of the government and the fact that other investigators report relatively low pay scales in railroading, banking, finance, and insurance, which also fall under governmental influence.

COMPENSATION, SIZE AND PROFITABILITY

Students of executive compensation are familiar with the three propositions illustrated by Charts 3, 4, and 5 —namely, that the amount of executive compensation varies directly with corporate profit, that the amount of executive compensation varies directly with sales volume, and that profit varies directly with sales volume. While these propositions are true description, it would be incorrect to infer from them that one member of each pair of variables causes the variation in the other member. We have already seen how the superficial relationship between compensation and industry is sometimes brought about by industrial differences in size of company. If we wish to say, as some writers have done, that the observed relationship between executive compensation and profit is of a cause-and-effect nature we must be sure that the relationship is not a merely superficial one reflecting the influence of some other factor such as corporate size. A similar word of caution is appropriate to the interpretation of the other propositions listed above. Since the charts indicate that compensation, profit, and sales are related back and forth in every possible way, it is necessary, when examining each pair of variables, to make certain that the third variable is not producing an important part of the observed relationship. This can be done by examining the relationship between compensation and profit for companies with similar sales volumes, and by examining the relationship between compensation and sales for companies with similar profit levels. Charts 6 and 7 (on pages 482 and 485, respectively) are set up in this way.

Conclusions

Chart 6 indicates that differences in profitability which cannot be ascribed to differences in size of company are unrelated to the amount of executive compensation. The companies with the higher profit rates do not tend to pay either more or less than those with the lower profit rates. This is shown by the fact that the points lie within a roughly horizontal band on the chart. If compensation rose with profitability, the band would slope upward to the right. Clearly, there can be no cause-and-effect connection. Chart 7 looks very different. There the points lie within an upward sloping band which indicates a consistent tendency for companies with larger sales volumes to

pay higher compensation, even when the comparison is limited to firms with similar profit rates.

It can be shown mathematically that a little over half the differences in compensation can be explained by associated differences in size of company. This proposition can be clarified by adding some lines to Chart 7. This is done in Chart 8 (p. 486). The center line indicates average relationship between compensation and company size. If size fully determined the amount of compensation, all the points would lie precisely on this line. The amount of scatter about the center line indicates the looseness of the relationship. The upper and lower lines block in the central two-thirds of the points and statisticians usually take them to be the normal ones. Within this range of normality there is considerable variation from one company to another. Those at the top of the range pay about 2-1/2 times as much as those of equal size at the bottom. Or, from the other point of view, any given amount of compensation, say $90 thousand, is paid normally by companies whose sales vary from $25 million to about $275 million, or by about 1150 per cent. This substantial amount of variation is unexplained by differences in size of company, and it remains completely unexplained. A variety of other factors was examined: profitability, industry, geographic location, size of the city in which the home office is located, etc., and they did not add significantly to the explained portion of the variation. Apparently the relationship is a fairly loose one. Companies are not constrained to conform closely, and they exercise their freedom. On the basis of the evidence, it can be concluded that the only external factor systematically related to the amount of executive compensation is corporate size, and that this relationship is sufficiently loose to allow wide individual variation as the normal case.

Possible Objections

The reader may object that the charts depict relationships for a very special case: Chart 6 represents only firms with sales of $20-$30 million; Chart 7 represents only firms with profit rates of 17-19 per cent; in both cases, compensation is measured as the earnings of highest paid officials. In drawing charts it is necessary to accept a host of limitations of this sort because, among other reasons, there are only two dimensions to work with. Fortunately, such limitations do not apply to the mathematical and statistical proofs and the relationships depicted in Charts 6 and 7 actually hold quite generally. Explicitly, they apply to companies at all levels of profitability and size, with the qualification that really small firms rarely report to the SEC and are therefore beyond the scope of this study. Industrially, the findings apply to the free market group of industries—i.e., manufacturing, mining, and trade. No check was made to see if they can be carried over to the governmentally influenced group, though there is nothing to suggest that they cannot. Also the findings are independent of the chosen indicators of executive compensation, size, and profitability. The calculations were made by using the earnings of highest-paid officials, the average earnings of officers and working directors, and the ratio of the total compensation of that group to net sales, as measures of com-

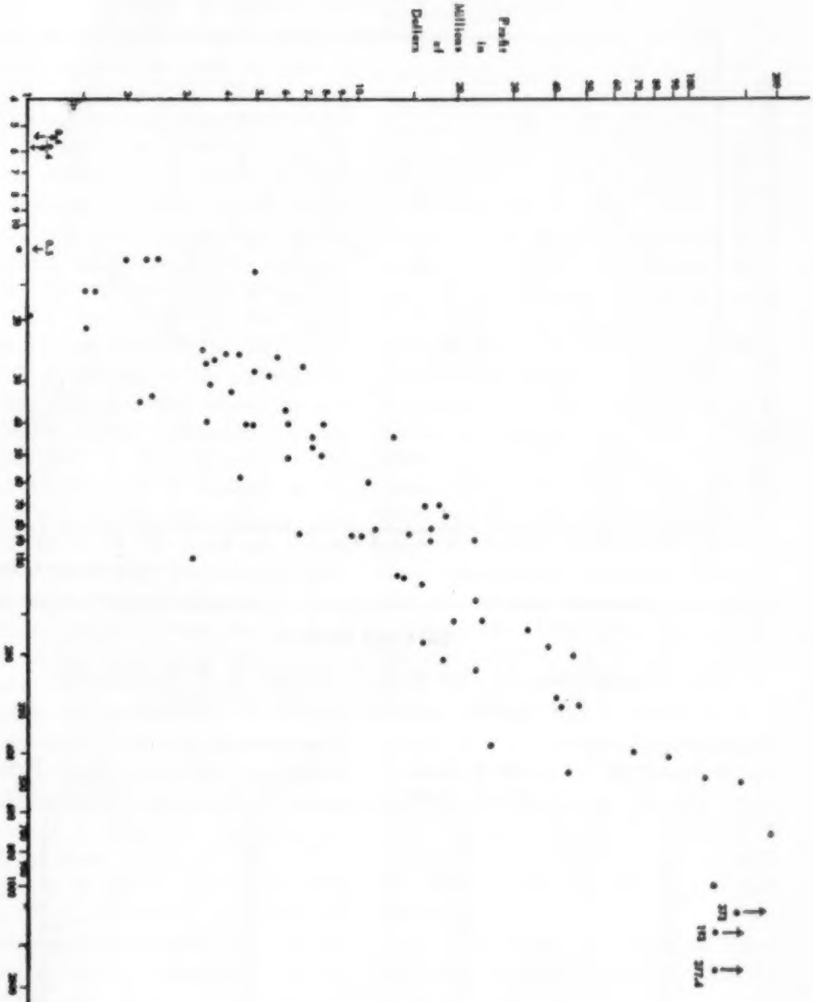
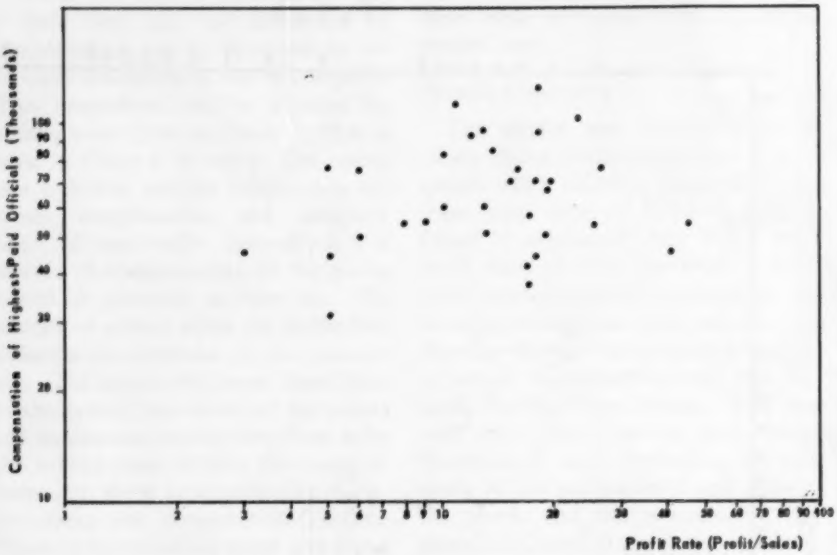


CHART 5

Profit vs. Sales (Percentage Scale) 77 Selected Corporations

CHART 6

Compensation of Highest Paid Officials vs. Profit Rate
For Corporations with Sales of $20-$30 Million



DATA FOR CHART 6

Compensation of Highest Paid Officials vs. Profit Rate for Corporations with Sales of $20-$30 Million

Compensation of Highest Paid Official	*Profit Rate (Profit/Sales)*	*Compensation of Highest Paid Official*	*Profit Rate (Profit/Sales)*
70	15	112	11
51	13	44	5
59	17	31	5
68	19	79	5
76	16	47	3
70	18	47	18
57	9	83	10
53	25	98	18
60	10	41	17
50	6	70	19
55	47	124	18
46	40	103	23
76	26	50	19
56	8	87	14
75	6	96	13
92	12	38	17
59	13		

pensation; by using net sales and total assets as measures of corporate size; and by using the ratio of dollar profit to net sales, the ratio of dollar profit to tangible net worth, and the change in dollar profit from 1948 to 1949 as measures of profitability. Dollar profit itself cannot be used because it varies so closely with sales that they might be said to constitute a package which is seldom broken. The package, of course, varies closely with compensation, but it is meaningless to inquire how the components vary separately with compensation. It is like asking how the satisfaction of the diner is affected by independent changes in his consumption of bread and of butter when they are practically always consumed one pat to one slice. A final feature of the charts which could be thought to influence the results, but actually does not, is the fact that they are drawn up on a percentage basis rather than on the usual absolute dollar basis. The distances between points are proportional to the percentage relationships between dollar values rather than to the dollar values themselves. This form of presentation was used because it represents more accurately the nature of inter-company relationships. Given differences in sales, for example, are associated more consistently with given differences in profit or compensation when all the differences are expressed as percentages than when they are expressed as absolute numbers of dollars. However, the choice of a form of presentation does not prejudice the findings. They are stronger in the form chosen but not enough stronger that different conclusions would be reached in the event of a different choice.

EXECUTIVE TURNOVER

Long ago, personnel people recognized that turnover among production workers is to a very important extent a question of personality traits, and considerable progress has been made in reducing turnover by the use of procedures designed to screen out the rolling stones at the employment office. However, we have continued to believe that executives are unlike other human beings in this respect, and, instead of seeking the causes of executive turnover in the make-up of the man, we have looked for explanations in the characteristics of the company: the amount and form of its executive compensation, its size, the industry in which it operates, etc. The present study used both approaches. The careers of men who were corporate officers in 1950 were traced back to the age of 25, and a record was made of their employment histories. Thirteen per cent of them accounted for *all* of the employer shifts made after attaining officer status. These men averaged nearly three employers each after becoming officers. On a career basis, a quarter of the 1950 executives accounted for two-thirds of all the employer shifts made since age 25, and these men averaged nearly five employers each for their careers—which is twice the average for the entire group of executives.

An examination of executive turnover for individual companies indicated no relationship between loss of executives and compensation, industry, size, or other characteristic of the corporation. There are individual cases in which an executive leaves a company for such a reason, but, when a large

number of companies is considered, it does not turn out that the class of firms possessing the characteristic in question loses executives more frequently than other companies. The corporation data also disclosed a low level of executive turnover. In the three-year period 1948-50, 62 per cent of the firms lost no executives for reasons other than death and retirement; 31 per cent of the firms lost one or more executives in one of those three years; 6 per cent lost them in two of the years; and ½ of 1 per cent, in each of the three years.

GENERALITY OF FINDINGS

All the findings presented above were derived from the analysis of a sample of corporations, and this raises the question whether they can be applied with confidence beyond the group of firms studied. Even if they could not, they would be significant, for the sample firms probably account for half the manufacturing production and for substantial fractions of the activity in other lines. Still, their usefulness would be enhanced if they could be applied generally. Therefore, a determination of this point was made. This involves looking at the foregoing conclusions as Mr. Gallup looks at the tabulations of answers obtained from his public opinion polls. Quantitatively there is a lot of difference; the Gallup sample includes a very small fraction of the population, and the one used here is substantial, particularly in manufacturing; but, in principle, the problem of

DATA FOR CHART 7 (opposite)

Compensation of Highest Paid Officials vs. Sales for Corporations With Profit Rates of 17-19 Per Cent

Compensation of Highest Paid Official (Thousands)	*Sales (Millions)*	*Compensation of Highest Paid Official (Thousands)*	*Sales (Millions)*
52	41	47	27
27	6	81	286
131	287	240	280
77	24	114	400
163	161	140	374
125	412	373	1,343
60	138	98	25
104	143	70	24
86	338	124	26
81	106	73	43
188	168	68	12
212	586	89	39
173	204	38	24
171	189	70	59
115	88	89	40
74	12	50	28
141	41	71	49

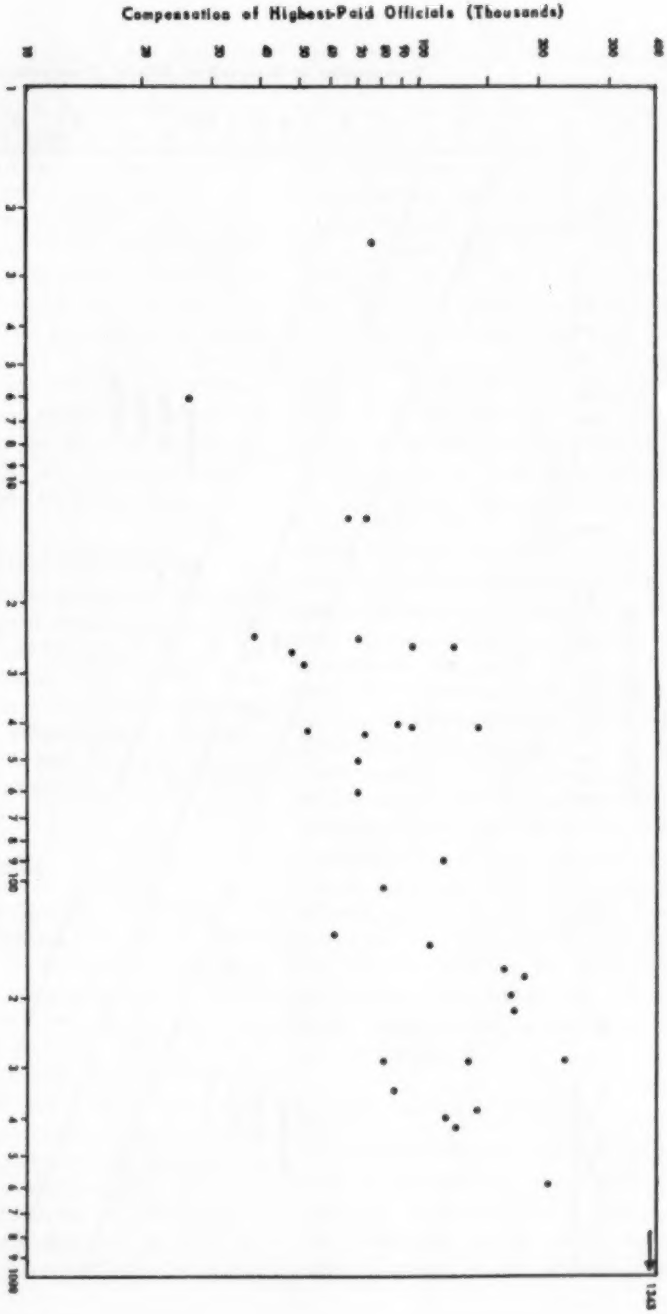


CHART 7

Compensation of Highest Paid Officials vs. Sales for Corporations with Profit Rates of 17-19 Per Cent

(Note: Data for this chart appear on preceding page)

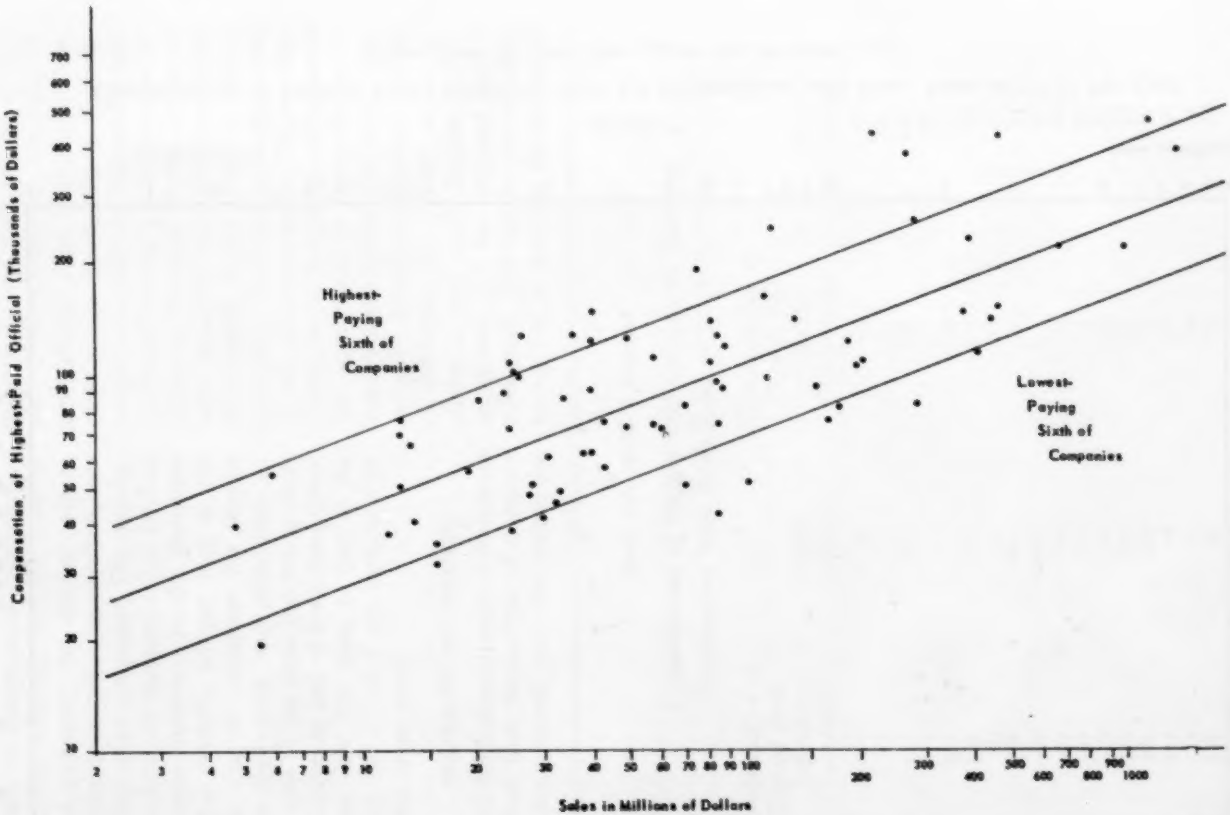


CHART 8

Compensation of Highest Paid Official vs. Sales, 77 Selected Corporations

generalization is the same. Since information is at hand only with respect to the sample, it is impossible to say with certainty what is true or false in general. It can only be said that there is a certain probability that the relationships known to hold for the sample, hold in general. When such probabilities are large, statisticians are willing to generalize; otherwise they are not. The calculation of the probabilities is highly technical and not of general interest. Suffice it to say that the probabilities of the foregoing propositions being true in general are in all cases substantial and well above the minimum acceptance levels used by statisticians.

OUTSIDE CONFIRMATION

In view of the unexpected character of the findings it was deemed best not to rest conclusions entirely upon the statistical analysis, even though it is formally correct. Therefore, an attempt was made to secure evidence from entirely different and unrelated sources which could confirm or deny the statistical findings.

Interview Results

In this connection a number of prominent business men, all of whom are heads of nationally important corporations, were interviewed. *Without exception, they agreed with the findings.* The president of a basic steel producing company declared that the findings about the levels of compensation, profit, and sales did not surprise him at all. A financier who participates in setting the compensation of many important executives in diverse lines of activity was skeptical at first, because he had accepted the prevailing view that the levels of compensation and profit are related. However, after reviewing the practices of companies with which he is familiar, he concluded that explaining a little over half the inter-company variation by differences in size is quite reasonable. He went on to explain why size rather than profit may be the major determinant, indicating that when companies with which he is associated—all large ones—are looking for a president, they are primarily concerned with getting the right man for the job and regard money as secondary. The payment of $50 thousand or even $100 thousand one way or the other is not crucial to them. The smaller a company is, he added, the less able it is to take this approach, and consequently the level of compensation varies with size. Other business men readily agreed with this explanation and cited examples from their own experience to support it. On the less controversial issue of industrial differences in compensation there was also agreement. A director of corporations in many industries assented to the absence of industrial differences in the manufacturing, mining, and trade area, and to the lower level in utilities and airlines, and added that, if the railroad, insurance, banking, and finance fields had been included in the study, they too would have turned out to have lower compensation scales than prevail in "industry."

Outside Statistical Evidence

Statistical evidence external to this study is also available as a check. The following table classifies a group of 340 companies, which make up the entire coverage of the present sample

in a number of industries, by their executive compensation and Fitch Common Stock Ratings.

DISTRIBUTION OF LOW-PAYING AND OTHER COMPANIES BY FITCH COMMON STOCK RATINGS (1950)

Fitch Rating	*% of Low-Paying Co.'s*	*% of Other Co.'s*
A & BBB	5.9	3.7
BB	39.7	29.4
B	27.9	35.7
CCC	10.3	17.7
CC	7.4	9.2
C	8.8	4.4

The companies designated "low-paying" are the lowest-paying sixth relative to the practice of firms of similar size. They would lie below the bottom line on Chart 8 if plotted there. The tabulation confirms the lack of relationship between compensation and operating results. To the extent that the low-paying companies differ from the others, they appear to do better rather than worse. A somewhat smaller percentage of them hold the shaky "C" ratings and a somewhat larger percentage hold the superior "A" and "B" ratings. The rating service bases its evaluations on a variety of factors which might influence the investment quality of the common stock, not on current profits alone. Doubtless, trends in share of the market are considered. Still, so much emphasis is placed on this criterion of performance that an independent spot check was made, using the first 22 low-paying firms. They were classified by industry, and the sales of each one for 1948, 1949, and 1950 was expressed as a percentage of the combined sales of all sample companies in the respective industries. Six of the low-paying firms increased their share of their industry's total sales over the three-year period, seven lost, and nine others fluctuated up and down without clear trend. This test is not conclusive by itself, but it supports the other evidence. It is to be noted that the companies designated as low-paying in the foregoing checks are all extreme cases lying below the wide band of normality.

Findings respecting the low level of executive turnover are borne out by Gladys L. Palmer's *Labor Mobility in Six Cities*, a study recently published by the Twentieth Century Fund. Miss Palmer's figure for the average number of jobs held by managerial workers coincides almost precisely with that given above. Data compiled by the Harvard Business School for a group of its graduates differ only slightly.

WHAT THE FINDINGS IMPLY

So far as executive turnover is concerned, the findings of this study imply that the most promising approach to reducing the rate is not to hire executives with a record of much shifting. At this stage, however, it is not clear that the company would be wise in doing this. Undoubtedly, some of the highly mobile executives are men of unusual ability who for that reason have an extraordinary number of chances to move. It could be advantageous to hire them even if they do not stay indefinitely. Others may be men of ordinary ability whose personal make-up predisposes them to movement. Additional research is needed to clear up such questions and lay a partial groundwork for sound policy.

In respect to the findings about compensation and profit, it would be improper to infer from the evidence presented that there is not a chain relationship from executive compensation to incentive to company profit. What we think we know about human reactions disposes us to accept the existence of such relationships. However, there are many aspects of executive compensation and as many avenues through which financial incentive may conceivably be provided. It is worth while to recognize which of them do in fact provide a significant amount of inducement and which do not. It has been demonstrated above that incentive is unaffected by the relationship between what one company pays and what another company pays—by the absolute amount of money itself. The $75 thousand president of Company X does not do a less good job for his firm than the $125 thousand president of Company Y does for his. That being the case, financial incentive must come from the internal administration of executive compensation, that is, how it is varied with performance, what relationships are established between the earnings on related jobs, etc. The absolute amount of the president's salary is important chiefly insofar as it bears upon those relationships. Here is an area which needs to be explored. Just enough has been done to raise some intriguing questions; not enough to answer them. Some investigators report no perceptible loss of drive for promotion in situations where the financial gains are trifling. In another section of the present study, not reported here, straight salary-paying companies were found to be as profitable as bonus-payers, and the amplitude of fluctuation of their compensation is only half as great. Does this mean that a moderate degree of fluctuation provides as much motivation as can be provided, and that making life more unstable for the executive is pointless? Does the similar profitability of straight salary and bonus-payers together with the observation about promotion imply that, in the upper income brackets, money motivates people to an important extent because it is recognition, a sort of medal, and not just because it is added purchasing power? We do not have the answers to any of these questions, but apparently they are the sort of questions that we should be thinking and researching about if we wish to get the optimum incentive from executive compensation.

PENSION FUNDS have already become big business. No one knows for sure, but perhaps a good "guesstimate" is that the 27,000 qualified pension plans now in operation have total assets in excess of $20 billion and that these assets are increasing at the rate of $2.5 billion net per year. Half of these plans have been qualified in the past five years. It seems probable that labor and competitive pressures, as well as tax incentives, will assure further extensions of coverage and hence a continuing growth of reserves seeking investment. Projecting the trend over 20 or 30 years leads to the conclusion that pension funds are well on the road to becoming a major factor in the national economy.

—CHARLES E. HAINES in *Journal of Commerce* 6/17/55

The present trend toward mergers is such that the special problems of integration which face the merging companies have assumed an unprecedented importance. Not the least of these is the series of adjustments that must be made in order to reconcile existing—and sometimes widely different—compensation and benefit plans for executives. Drawing on a broad cross-section of industry experience, this article examines some of the problems that typically arise and the methods management is using to solve them.

Mergers: Their Effect on Executive Compensation

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ACCORDING to a recent Federal Trade Commission Report, there have been 1,773 mergers in the mining and manufacturing industries since 1948—and more take place every year. In 1954, there were three times as many mergers as there were in 1949.

Among the reasons why mergers are on the increase, the FTC report indicates, are the need for additional capacity, diversification, and the desire to acquire either retail outlets or suppliers of raw materials. In other words, many companies merge in order to strengthen their present positions and to increase their potential.

However, while mergers often offer a solution to many of the problems confronting U.S. industry, the very act of merging creates new problems of its own. One of these problems is the effect of the combination of two corporate enterprises on executive compensation.

As the result of a merger, two distinct systems of salary administration and executive pay practices often have to be reconciled. For example, what happens when a bonus-paying company combines with a company which has traditionally refrained from paying any kind of extra incentive compensation? How can two retirement plans be integrated, when one is profit-sharing and the other a fixed annuity? Many such combinations have taken place during the past few years. Just what is management doing about this problem, both in its immediate and in its long term aspects?

THE IMMEDIATE PROBLEMS

In deciding what should be done right away about the compensation plans to which the merging companies are committed, the new organization has two major courses of action open to it: It can either abandon the plans or continue them. In reaching a decision on this point, the effect of abandoning the various plans must be compared with the effect of operating dif-

ferent ones side by side. Current practice indicates that the trend is strongly in favor of continuing existing plans, at least for the time being.

The reason seems to be that, in most cases, considerable research and study go into the establishment of a compensation plan. There were sound reasons for adopting it in the first place, and a company is naturally reluctant to abolish it. Consequently, the trend has been either to continue existing plans or to provide new plans which are at least as good.

Though this problem cannot be so easily solved when it comes to retaining the officers and key employees of a merged company in the surviving corporation, generally the same organization and pay structures are retained, where possible. In the Kaiser-Willys merger, for example, part of the agreement stated:

> Purchaser (Kaiser) agrees to . . . operate (Willys) . . . as a separate division of Purchaser, and in connection therewith not only to maintain in effect the employment contracts made, prior to the date of this proposal, by Willys or its subsidiaries, but also to continue the employment of the principal officers . . . for a minimum period of two years at not less than the respective salaries they are now receiving.

THE "SEPARATE DIVISION" POLICY

This "separate division" treatment is usual immediately after a merger. The merged company becomes a division of the parent company, but continues to act as a separate entity, except on the highest policy and planning levels. Eventually, of course, more complete integration may take place, after certain basic duplicated functions have been removed and a more efficient organization has been developed; but this takes time and, meanwhile, it is more practical to retain the former employees and benefit from their cumulative experience.

Before its merger with Kaiser, Willys had an incentive compensation plan which, in accordance with the agreement, had to be terminated. However, Kaiser agreed to establish a plan for the employees of its new Willys Division, "of substantially the same character as the Incentive Compensation Plan of Willys now in effect."

Basically the same thing has happened in other mergers. Bearing Specialists, Inc., for example, had a profit-sharing plan. In anticipation of the merger, it was terminated. The surviving corporation (Jim Brown Stores) set about establishing a similar plan for the employees of the Bearing Division.

When Davison Chemical was about to become a division of W. R. Grace, the merger agreement included a provision which continued the pension plans of both companies. Possible immediate conflict was avoided by providing, in effect, that employees who were employed primarily by the parent company (W. R. Grace—including the former Davison employees at the top level who were transferred) would be covered under the W. R. Grace plan.

In some cases the company's intentions as regards changes in personnel and pay status are actually expressed as part of the merger agreement. The Chrysler-Briggs merger furnished a typical example:

> Directors of the Company intend to review the remuneration of the officers who will remain with the Company and adjust where possible such remunera-

> tion for 1954 to a level commensurate with their duties and responsibilities in connection with the business expected to be carried on by the Company . . . In addition the Company is presently attempting to negotiate settlement of or amendment to certain employment agreements . . . with officers who may leave the Company's employ or who may not continue as full-time employees.

Immediate action is also required when a company has granted a stock option to its key employees. Normally, the option runs for a number of years, but a merger will cut down the period during which the option may be exercised, since no more stock will be issued on the merged corporation. The shortening of the option period substantially decreases the value of the option. However, in only a few companies have options been effectively terminated at the merger date.

More commonly, merger agreements make provision for stock option rights to be converted into shares of the surviving corporation; alternatively, the surviving corporation may make arrangements for new options to be granted to the employees in question. However, not all companies make detailed provisions for these contingencies at the time of the merger. Some prefer to go slowly and adopt a "wait and see" attitude. Options are a valuable form of executive compensation and are not granted haphazardly. For example, when E. R. Squibb & Sons became a division of Mathieson Chemical (which has since merged again to become Olin-Mathieson Chemical Corp.), immediate action was deferred and the company stated: "Future action with respect to the plans will be determined by the Board of Directors." One year after the merger, the proxy statement announced:

> The Board of Directors believes that options should be granted in the near future to a number of officers and employees who have not yet received options (including certain officers and employees who were formerly employed by E. R. Squibb & Sons and who became employees of the Corporation after the merger), and also to some of the officers and employees who have already received options and have assumed increased responsibilities due to the increased size of the Corporation.

On the whole, however, there is a substantial tendency to maintain the status quo, or to substitute similar executive compensation arrangements in the surviving company. With few exceptions, no major re-examination of executive compensation practices has taken place immediately.

This is primarily because the effects of a merger are not felt immediately. Often, merged companies continue to exist as separate entities at the operating level, and it is only at the policy level that the change is apparent right away. The Chrysler-Briggs and Mathieson-Squibb statements are cases in point. At the operating level, therefore, no great harm is done if different plans are allowed to co-exist, since it is unlikely that there will be any contact between the vast majority of the employees of the respective companies.

As time goes on, and further integration takes place at the operating level, conflicting methods and techniques of executive compensation will have to be reconciled. To meet this problem, long-range plans must be made.

LONG-TERM PROBLEMS

From its experience, the AMA Ex-

ecutive Compensation Service has been able to develop certain guiding principles for the use of companies in reexamining their executive compensation practices. These principles appear to apply in most situations arising out of a merger, but they can also be used with some modifications whenever a re-examination of an executive compensation program is called for.

INTERNAL AND EXTERNAL PAY RELATIONSHIPS

Before any action on executive compensation is taken, the company should analyze its internal pay structures and compare them with those of similar-sized companies in the same industry. Most important, in the case of a merger, are the internal relationships between the merged companies.

In addition, it is necessary to reexamine the elements of the salary administration programs of the merged companies. Differences should be noted and appropriate plans of action decided upon. Since no two programs are ever exactly alike, some changes will have to be made. If new methods of position evaluation or performance appraisal are established, the responsible executives will also have to be trained in their administration.

Inconsistencies in the pay structures both within and between the separate divisions of the surviving corporation must be reconciled. Few things cause greater chaos in salary administration than substantially different salary scales for positions of similar responsibilities, filled by executives of similar ability.

The problems outlined above are too complex to be solved right away; but, when the company is satisfied that its salaries are fair and equitable, it can then go on to consider its other executive compensation problems. It must always be kept in mind, however, that salaries should reflect both the relative importance and difficulty of the jobs, and the ability, experience, and performance of the individuals who fill them.

EXTRA COMPENSATION

Included in this group are such arrangements as incentive compensation plans, stock options, profit-sharing plans, group insurance, and executive perquisites and expense accounts.

A detailed study will have to be made of the plans (if any) of the merged companies. Although they may be similar in nature, they will rarely be identical in their specific provisions. Each plan has usually been tailored to fit the company's specific needs. When two corporations merge and a new corporation is established, its needs may be entirely different from those of either of its predecessors. The following points will highlight some of the problems likely to be raised.

1. *Incentive compensation plans.* A new bonus-fund formula must be established, since the previous formulas will have been based on such factors as the sales, profits, and capital structure of the individual corporations. They will have reflected a normal return on investment through amounts set aside for conservation of capital in addition to providing a fair return to the stockholders. They were gauged to provide adequate bonuses based on the employees' extra efforts. The requirements of the new company will be vastly different. Its capital structure

has been changed and its expected sales and profits will be substantially enlarged.

Then, the different methods of allocating and distributing bonuses must be reconciled. Some companies base their bonus distributions on salaries, some on merit; others use a combined technique. Further, there are companies, like General Motors, that extend payments down to the lower levels of middle management, while others restrict payments to a few key employees. All such problems must be solved, if the plans are to be successful.

2. *Stock options.* Merging companies have very little choice so far as stock options are concerned. Once the merger is effected, no more stock of the merged corporation can be issued under the option. Or, if an option has been granted by a company that retains its identity even after the merger, the basis of the stock will have changed. If the new corporation is to issue stock options, an entirely new plan must be developed. Since the value of common stock invariably changes as the result of a merger, adjustments in the option price may have to be made.

Whatever the particular situation may be, it is clear that something will have to be done about it.

3. *Profit-sharing plans.* A merger affects profit-sharing plans in much the same way as it does incentive compensation plans. The fund formulas are based on the same premises as the bonus-fund formulas, although the allocation and distribution methods may be different. Therefore, just about the same considerations apply, and the same approach should be followed.

4. *Group insurance programs.* To combine two different group insurance programs presents less difficulty than the reconciliation of some other forms of executive compensation, although the procedures may be more technical. Obviously, it is difficult to delete or cut back part of a program to bring it down to the level of another company; invariably, if changes are to be made, the benefits must be raised to the level provided by the more generous plan. When trying to achieve some sort of balance between the two, the company should examine some of the newer forms of group insurance of particular interest to executives.

5. *Executive perquisites and expense accounts.* Because this is the least discussed and most personal area of executive compensation, considerable difficulty may very well arise here. The most important principle to be followed is uniformity of treatment. This is not to say that there should be uniformity at all levels—quite the contrary. Executives look forward to more liberal treatment as they ascend the ladder of responsibility. This is one of the more important non-financial incentives. But between the divisions of a new corporation, executives on the same level should be treated alike, or morale may be seriously impaired. If there are conspicuous differences in the practices of the two companies, they must be ironed out, or harmful results may follow.

DEFERRED COMPENSATION

Included in this group are deferred compensation plans, and pension and profit-sharing retirement plans.

1. *Deferred compensation plans.*

These plans do not occur too often in their "pure" state. Usually, they are linked with a bonus plan which has certain deferred pay-out features. If there is a conflict between two different plans, or if only one plan is to be examined, the same elements as are found in incentive plans should be considered. In addition, there may have to be an adjustment of a difference in pay-out periods and the length of time payment is deferred before initial payments begin. This decision must be based on the company's particular needs. It is difficult to state categorically whether longer or shorter pay-out or deferral is the most desirable solution.

2. *Pension and profit-sharing retirement plans.* The area of greatest possible conflict is found in pension and profit-sharing retirement plans. Of course, if the plans are basically the same, then only some technical details will need to be worked out; but if there is a fundamental difference on such matters as fixed commitment pension versus profit-sharing plans, or trusteed versus non-trusteed plans, or in the investment provisions, extensive adjustments will have to be made.

The company will have to decide precisely which type of plan is best suited to its needs. The differences will serve to emphasize how necessary it is for management to examine the plans in detail. The same considerations apply where a company intends to amend an existing plan, or establish a new one.

CONCLUSION

The complete re-appraisal of an executive compensation program is an exhaustive project. It cannot be done overnight, nor can it be done all at once. Each element of the program is important by itself, and must be given the same mature, detailed consideration as management gives to such matters as product research and development, production planning, and marketing.

The problems summarized here should be considered by all companies, regardless of their situations. Merger merely brings them into sharper focus by placing different methods and techniques side by side. In the long run, a substantial portion of the success of any merger may well be insured if such long-range planning is provided for.

IT WAS NOT until late in the booming Twenties that executive compensation in six figures ceased to be remarkable. Before World War I managers were treated by owner-managers as mere hired hands, and the president of a large company earned on the average only $10,000 a year. But as the managers became indispensable to the financiers and the owners of the nation's new industrial giants, their rewards rose swiftly. By 1929 the top officers of many large corporations were receiving salaries of more than $100,000 a year—and handsome bonuses besides. The oddities of executive compensation, however, were well illustrated that year when President Eugene Grace of Bethlehem Steel led the executive procession with a bonus of $1,623,700 piled atop a modest $12,000 salary.

—PERRIN STRYKER in *Fortune* 4/55

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• Brief Summaries of Other Timely Articles •

GENERAL MANAGEMENT

"SKYHOOKS": WITH SPECIAL IMPLICATIONS FOR MONDAY THROUGH FRIDAY. By O. A. Ohmann. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), May-June, 1955. $2.00. In this thoughtful analysis of the spiritual dilemma of our industrial society, the author makes the point that modern man is reaching out for new "skyhooks"—an abiding faith around which life's experiences can be integrated and given meaning. The individual administrator, he suggests, must lead this search, by defining the goals and purposes of his group in terms of higher and more enduring spiritual values than are represented by the traditional economic concepts of the private enterprise system.

THE MYSTERY OF EXECUTIVE TALENT. *Business Week* (330 West 42 Street, New York 36, N. Y.), May 21, 1955. 25 cents. A report on four major studies probing the question: What makes a good executive? While companies are searching more scientifically for a method of finding good executives, there's still no formula, and much more study and research will have to be done, the report concludes.

A NEW FOCUS IN EXECUTIVE TRAINING. By Irving R. Weschler et al. *Advanced Management* (74 Fifth Avenue, New York 11, N. Y.), May, 1955. $1.00. An account of the aims, technique, and results of "sensitivity training," a new approach to executive development whereby the trainees, through examination of themselves and the impact they have on one another, develop specific skills for the handling of human relations problems.

CAN WE SURVIVE TECHNOLOGY? By John von Neumann. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), June, 1955. $1.25. A penetrating analysis of the crisis inherent in the relationship of technology to geography on the one hand and to political organization on the other. Pointing out that the technology which is now developing seems to be in total conflict with traditional geographical and political units and concepts, the author offers the hope that man will nevertheless be able to evolve new political forms and procedures in time to curb the explosive power he will be able to contrive 25 years hence.

BUSINESS AND HIGHER EDUCATION: NEED FOR ADDITIONAL AID BY INDUSTRIAL CORPORATIONS. By Harry A. Bullis. *Vital Speeches of the Day* (33 West 42 Street, New York 36, N. Y.), April 1, 1955. 30 cents. The financial crisis already facing most of our private colleges and universities will be rendered still more acute by the anticipated increase in the college-age population over the next 15 years, Mr. Bullis points out. He takes the view that if the needs of higher education are to be adequately financed, more aid must be forthcoming from industry, banks, railroads, and public utilities.

CAN YOU KEEP A SECRET? By George A. Travers. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), April, 1955. 35 cents. In discussing one of management's toughest assignments—keeping a business secret—the author suggests a number of ways whereby confidential information can be kept off the grapevine until it is time to release it to employees and the public.

THE NEW WORLD OF RESEARCH. *Business Week* (330 West 42 Street, New York 36, N. Y.), May 28, 1955. Reprints 50 cents. This comprehensive report on the current status of industrial research provides a detailed analysis of the many problems presented by the "reluctant marriage" between science and industry, as well as an outline of the new frontiers of knowledge now being explored by pure scientists.

Stressing the rising cost of research and the limited number of professional researchers available, the report concludes that money and manpower are the crucial factors in solving both the immediate and the long-term problems in this area.

REFLECTIONS ON THE SCHOOLS OF BUSINESS. By Clare E. Griffin. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor, Mich.), May, 1955. Gratis. In this thoughtful analysis of the function and scope of business education, the author takes the view that preparation for business calls for inspiration and the encouragement to live dangerously for great rewards. The collegiate schools of business, he suggests, should strive "to give understanding, which is the basis of foresight, and to encourage imagination and courage, which are the bases of action."

NEW PERSPECTIVE ON PUBLIC RELATIONS. By Thomas D. Yutzy and Simon Williams. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), May-June, 1955. $2.00. Much confusion still exists about the function and practice of public relations, the authors point out. Here they analyze its strengths and limitations, point up the growing trend to use public relations as an adjunct to sales promotion, and offer a number of practical examples as an aid to deciding whether, when, and how to use the public relations specialist.

LEARNING TO DELEGATE AUTHORITY. By F. O. Prior. *American Business* (4660 Ravenswood Avenue, Chicago, 40, Ill.), May, 1955. 35 cents. In this thoughtful article, the new president of Standard Oil Co. (Indiana) discusses the art of delegation and the techniques he believes must be mastered to practice it effectively.

INDUSTRIAL RELATIONS

SENIORITY PROBLEMS IN BUSINESS MERGERS. By Mark L. Kahn. *Industrial and Labor Relations Review* (Cornell University, Ithaca, N. Y.), April, 1955. $1.50. A discussion of the problem of integrating two employee groups in a manner that will meet the requirements of a merged unit and at the same time preserve seniority rights. Starting with an examination of the legal status of seniority rights in relation to mergers, the author goes on to review public policy in this area and explores the principles and methods of seniority list integration. Some suggestions for facilitating the equitable settlement of seniority integration disputes are also given.

WHICH ROUTE IS UP? By Perrin Stryker. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), June, 1955. $1.25. In these notes for an imaginary commencement address to the class of '55, the author sets forth his ideas on what it takes for a young man to climb to the top of the management ladder today.

ROUND ONE: UNION VS. COMPANY PUBLICATIONS. By Fred C. Foy and Robert Harper. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), May-June, 1955. $2.00. In failing to discuss controversial issues in its employee publications, management has lost the first round in its battle with the unions to win employee support for the private enterprise system, and is in danger of losing the whole fight on an editorial TKO, the authors assert. From an analysis of the content of both union and management publications over a five-month period, they point out a number of instances where management missed the opportunity to provide a factual answer to the union point of view.

SELECTING AN ARBITRATOR. By John F. Sembower. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), April, 1955. 35 cents. Many of the present methods of "screening" nominees for appointment as arbitrators are second-guessing, and subject to all its shortcomings, the author points out. Here he offers a list of the qualities to be looked for in choosing an arbitrator who can be relied upon to produce a fair and just decision.

IT MEANS A BIG SHIFT IN THE ECONOMY BY 1975. *Business Week* (330 West 42 Street, New York 36, N. Y.), May 21, 1955. 25 cents. A discussion of the Census Bureau's population forecast for 1975. Among the trends to watch, the report points out, are the projected two-thirds

gain in the over-65 age group as compared with the 1950 census figures, and the possibility that the actual civilian labor force may be as much as 10 per cent less than the 90 million workers who will be required if the present average of 41 per cent of the total population is to be maintained.

IS YOUR INCENTIVE PLAN HEADED FOR SUCCESS—OR FAILURE? *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), May, 1955. 50 cents. The results of a survey of wage incentive systems in 100 companies, carried out by Methods Engineering Council, Pittsburgh. The survey found that 60 per cent of the companies interviewed were on the whole satisfied with their present incentive plans and the remainder dissatisfied. The detailed findings are presented in tabular form under various heads, enabling the executive to compare them and check whether his company's practice follows the pattern of the satisfied or dissatisfied group.

EDUCATION'S MISSED LEGIONS. By Kay Metz. *Commerce* (1 North LaSalle Street, Chicago 2, Ill.), May, 1955. 35 cents. One out of two students drops out of school between the fifth and the twelfth grade, according to the National Education Association. Here the author examines the reasons for this trend and the implications for employers and the community in general of a work force with a high proportion of half-educated, unskilled personnel.

A NEW KIND OF ENGINEER. *Business Week* (330 West 42 Street, New York 36, N. Y.), May 21, 1955. 25 cents. A fundamental shift in engineering training is under way, this report points out: Tomorrow's engineering graduate will know less about one specific field, but he will have a better grasp of the basic sciences. Some implications of this trend, as forecast in the recommendations of a committee of 45 deans of engineering schools to the American Society for Engineering Education, are discussed here.

OFFICE MANAGEMENT

HOW TO ESTABLISH A CLERICAL WORK MEASUREMENT PROGRAM. By Ralph W. Fairbanks. *Office Management* (212 Fifth Avenue, New York 12, N. Y.), May, 1955. 35 cents. Though office work does not lend itself to work measurement so well as factory operations do, nevertheless an effective clerical work measurement program can be set up simply and economically, the author says. Here he explains the principles of the "Earned Hour" work measurement plan, and gives a detailed account of the eight basic steps involved in putting the plan into effect.

WORK SIMPLIFICATION BY-PRODUCTS PAY OFF BIG AT ACME. By Harry M. Chapman. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), March, 1955. 35 cents. This case history describes how a bottleneck in the processing and typing of essential information from customer orders led the Acme Steel Company to adopt the use of common language punched tape and accessory equipment. Besides eliminating the original problem, the new system resulted in material savings in overall operations, the author shows.

BUILDING THE PROCEDURES MANUAL. By Tony Piscatella. *The Office* (232 Madison Avenue, New York 16, N. Y.), May, 1955. 25 cents. Stressing the many advantages of a procedures manual, provided it is kept up-to-date, the author offers practical advice on planning the manual, its format, style, and content, and the use, review, and revision of the procedures themselves.

TERMINAL - DIGIT FILING. By Winifred Shaughnessy. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), May, 1955. 50 cents. An account of the terminal-digit filing system in which, in contrast to conventional numeric filing, documents are filed under the last two or four figures on the extreme right. The author points out the various advantages of the system, and describes in some detail the process of converting files from numerical to terminal digit order.

OFFICE MACHINES—RECORDS MAINTENANCE, TESTING, SELECTING. By C. C. Cather. *Systems and Procedures Quarterly* (Box 281, Wall Street Station, New York, N. Y.), May, 1955. $1.00. A detailed ac-

count of the requisitioning, testing, purchase, use, and care of office machines in the Southern Pacific Railroad organization. Various studies now being undertaken by the company and other organizations concerning the application or extension of the use of "card-to-tape," "tape-to-card," and other punched card machines, teletype equipment, and the new copying machines are also discussed.

HOW TO IMPROVE THE OFFICE ARRANGEMENT. By Guy Fergason. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), April, 1955. 50 cents. Stressing the fact that the utilization of office space should be directed toward the more efficient movement of paperwork, the author suggests a number of ways in which this can be effected. Among these are the use of smaller and more functional equipment, layout planning in relation to the work flow, better lighting, and sound control.

A FORMS CONTROL PROGRAM. By Arthur W. Clark. *The Office* (232 Madison Avenue, New York 16, N. Y.), May, 1955. 25 cents. A general account of the system employed by a life insurance company to integrate its forms requirements and provide for maximum economy and efficiency in form production and use. Various forms used for requisitioning and stock reporting are reproduced.

PRODUCTION MANAGEMENT

THE TOP EXECUTIVE'S RESPONSIBILITIES FOR QUALITY. By J. M. Juran. *Industrial Quality Control* (50 Church Street, New York 7, N. Y.), May, 1955. $1.50. Many executives do not clearly understand the nature and extent of their responsibilities in helping the company to turn out a good quality product, the author holds. Breaking down these responsibilities under five main heads—over-all policy, choice of quality of design, organization for quality, measurement of quality, and appraisal of results against goals—he offers a detailed consideration of each.

PACKARD'S $50,000,000 MODERNIZATION PROGRAM. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), April, 1955. 50 cents. This comprehensive report on the modernization program of the Packard Division of the Studebaker-Packard Motor Company, which takes up this entire issue of *Mill & Factory*, includes a detailed account of Packard's organization, buildings and equipment, and production, materials handling, and maintenance operations. A loose chart showing the layout of the Utica and Conner plants is appended.

BUYING AT UNITED STATES STEEL. By Paul V. Farrell and Dean S. Ammer. *Purchasing* (205 East 42 Street, New York 17, N. Y.), May, 1955. $1.00. A comprehensive study of the organization, policies, and procedures of the purchasing department of U. S. Steel, which annually buys 40,000 commodities from 50,000 suppliers. Some significant advances in procurement techniques that can be adapted to all kinds of purchasing departments, large or small, are described.

PLANNING FOR AUTOMATIC ASSEMBLY. By George H. Kendall and Jerry A. Host. *Automation* (Penton Building, Cleveland 13, Ohio), June, 1955. $1.00. In this survey of the elements involved in planning the establishment and operation of an automatic assembly department, the authors discuss the initial problem of machine selection, the factors determining the layout of the department, the planning of work schedules, and operational and personnel problems. Some typical sequence tooling operations for products particularly suitable for automatic assembly are also given.

AUTOMATIC UNITS IN AN AUTOMATIC FACTORY. By F. R. Swanson. *National Safety News* (425 North Michigan Avenue, Chicago 11, Ill.), May, 1955. 75 cents. Automation has now reached the stage where each machine must be designed to operate as a fully automatic unit in an automatic factory, the author asserts. Here he outlines the basic requirements in the design of single unit machines, and discusses the factors that determine their control, operation, and maintenance.

MARKETING AND SALES MANAGEMENT

CAN MOTIVATION RESEARCH BE APPLIED IN THE FIELD OF INDUSTRIAL SELLING? *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), May 20, 1955. 50 cents. A report of a panel discussion by five experts, all of whom agreed that many of the buying principles uncovered by motivation research in the consumer field can also be applied in industrial selling. A number of examples of the way irrational prejudices and unconscious anxiety can influence industrial purchases are given.

SURVEY OF BUYING POWER. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), May 10, 1955. Included in this major survey are population, income, and sales figures, by counties and cities, for the 48 states, the U. S. territories, and Canada, data on industrial potentials and farm markets, and a breakdown of growth trends. Of value to all marketing executives in setting sales quotas and potentials, selecting markets, allocating advertising expenditures, and related problems.

THE IMPACT OF QUALITY CONTROL ON RETAIL MERCHANDISING. By Ephraim Freedman. *Industrial Quality Control* (50 Church Street, New York 7, N. Y.), May, 1955. $1.50. Pointing out that few retailers are large enough to engage in quality-control activities of their own to any considerable extent, the author here considers the factors involved in the acceptance by retail merchandisers of "quality-engineered" products at their face value. Top management in the producing industries, he asserts, must recognize the basic need for comprehensive quality control of consumer goods based on end-use standards.

HOW WE SELECTED A NEW AD AGENCY. By Robert C. May. *Printer's Ink* (205 East 42 Street, New York 17, N. Y.), April 15, 1955. 25 cents. In this step-by-step account of how an industrial company went about choosing a new advertising agency, the author explains the principles on which the selection was based, the preliminary screening procedure, and the final whittling down of five "possibles" to the one who was eventually decided upon.

COIN-IN-THE-SLOT SELLING. *Modern Packaging* (575 Madison Avenue, New York 22, N. Y.), May, 1955. 75 cents. Automatic vending machines already account for a sizable share of all retail sales, and their volume is growing by leaps and bounds. For the manufacturer with a product adapted to push-button selling, here is a comprehensive report ranging from the principles and problems of automatic merchandising and the various types of installations in operation both here and abroad, to a survey of the possibilities offered by the vending machine for many products that have so far made little or no use of it.

FINANCIAL MANAGEMENT

HOW TO REDUCE YOUR AUDITING COSTS. By Louis H. Pilié. *Management Methods* (141 East 44 Street, New York 17, N. Y.), May, 1955. 50 cents. One way to reduce the expense of auditing is for the company's own bookkeeping or accounting staff to prepare as much of the public auditor's work papers, reports, and tax return schedules as possible. Here the author gives a full account of the way this procedure was followed by two companies—one large and one small—with considerable savings in auditing costs.

INTERNAL REPORTS TO MANAGEMENT. By Malcolm S. Sutherland. *The Controller* (1 East 42 Street, New York 17, N.Y.), April, 1955. 60 cents. With the aim of gaining wider acceptance for internal reports, the author analyzes their underlying principles and discusses five different types of presentation.

AUDITING, CONTROL, AND ELECTRONICS. By A. B. Toan, Jr. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N.Y.), May, 1955. 75 cents. A prelim-

inary discussion of the effects of electronic data processing on the concepts and techniques of audit and control. Confining his survey to three areas—establishing the accuracy of the original data, ascertaining that these, and only these, data are recorded, and determining that the form of the record and its supporting evidence are satisfactory—the author concludes that while some techniques of audit control will change, perhaps drastically, its objectives will remain largely unaffected.

PROFIT PLANNING: THE CONTROLLER'S PART. By Irving D. Dawes. *The Controller* (1 East 42 Street, New York 17, N.Y.), April, 1955. 60 cents. Stressing the key role played by the controller in profit planning, the author here outlines the problems involved in both short-term and long-term planning which the controller should be able to handle with knowledge and authority.

HOW YOUR COMPANY CAN FINANCE YOUR RETIREMENT FREE. By Samuel L. Zeigen. *Management Methods* (141 East 44 Street, New York 17, N.Y.), April, 1955. 50 cents. Thanks to the special provisions of the Internal Revenue Code, pensions can be provided for executive-stockholders and ordinary executives of most medium and small companies at bargain rates, the author asserts. Here he shows how a pension plan can be financed out of corporation profits that would otherwise be taxable. The plan discussed is designed to provide for retirement income equal to 25 per cent of monthly salary and insurance protection amounting to 100 times the monthly pension. Some ways and means of providing for additional retirement income are indicated.

CORPORATE TIGHTROPE WALKING. The Corporation Trust Company, 120 Broadway, New York 5, N. Y. April, 1955. Gratis. Twenty-two states now have reciprocal tax statutes to facilitate the collection of taxes from out-of-state corporations; 32 have statutes under which process may be served upon a state official in lawsuits against unlicensed foreign corporations doing business in the state, this pamphlet points out. Surveying the growing taxation and control of interstate business, it concludes that qualification as a foreign corporation may be preferable to interstate operation.

RELATIONSHIP OF INTERNAL AUDITING TO METHODS AND SYSTEMS. By John M. Haslett. **SYSTEMS AND PROCEDURES—THE GOOD RIGHT ARM OF INTERNAL AUDITING.** By Warren M. Albert. *The Internal Auditor* (120 Wall Street, New York 5, N. Y.), March, 1955. $1.00. These two articles consider the pros and cons of the question whether systems and auditing should be separate departments or combined under one general supervisor. Both authors advance detailed arguments in support of their opposing points of view.

INSURANCE MANAGEMENT

A FIRE INSURANCE PRIMER FOR MANAGEMENT. By Michael H. Levy. *Management Methods* (141 East 44 Street, New York 17, N. Y.), May, 1955. 50 cents. In question-and-answer form, the author here elucidates the problems most frequently encountered in corporate fire protection.

THE CONTRIBUTORY PRINCIPLE AND THE INTEGRITY OF OLD-AGE AND SURVIVORS INSURANCE. By Alanson W. Willcox. *Industrial and Labor Relations Review* (Cornell University, Ithaca, N. Y.), April, 1955. $1.50. From a discussion of the extent to which the method of financing old-age pensions is inter-related with such elements as eligibility requirements and benefit-earnings relationships, the author proceeds to give a critical evaluation of some current proposals for modifying the Old-Age and Survivors Insurance law.

BURGLARY MADE EASY. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), March, 1955. 50 cents. The number of burglaries is rising sharply each year—and the burglar's victim is all too often his greatest ally. This article catalogues the major mistakes made in this area by business men, and the corresponding preventive measures for making an establishment burglarproof.

Survey of Books for Executives

THE 20th CENTURY CAPITALIST REVOLUTION. By Adolph A. Berle, Jr. Harcourt, Brace and Company, New York, 1954. 192 pages. $3.00.

*Reviewed by Herman S. Hettinger**

This penetrating and provocative discussion of the new American capitalism, as it had developed by the mid-20th century, merits reading by all business leaders, as well as by all others concerned with the present and potential role of the modern corporation on the larger national scene. It is one of the best positive statements, if not *the* best, on the current contributions of our corporate structure to the general well-being. More important, it is a stimulating analysis of today's corporation, considered not only as an economic entity, but also in terms of its increasingly important role as a social and political institution.

The "aggregate economic achievement" of the new American capitalism, says Mr. Berle, is unsurpassed. "Taking all elements (including human freedom) into account, its system of distributing benefits, though anything but perfect, has nevertheless left every other system in recorded history immeasurably behind." It has made its contribution to the 20th century revolution "with infinitely more humanity and efficiency" than the "brutal, blunt and fumbling instrument" of the Marxist state and has "abolished poverty in the sense it is understood elsewhere in the world." In the international field, it has conducted its relationships "at least as successfully as do governments" and offers "a possible avenue of greater adjustment in 20th century problems."

Nevertheless, he remarks, "no one seems to have undertaken seriously to restate the actual practice of American capitalism as it has developed since, let us say, the 1930's, describing its operations and results and readjusting theories to conform to fact." Mr. Berle makes an admirable beginning at rectifying this omission.

His thesis is simple, even if its implications are far-reaching. Old explanations of our competitive private enterprise system, based more or less on classical economic theory, are largely outmoded. A "new look" is required, for today's corporation, especially in the aggregate, is substantially different from any previous type of business organization both in character and scope of operations.

This change has occurred because the corporation's ability to acquire substantial concentration of economic power in itself and to increase production and distribution has reached such a high level in recent decades. The beneficial results of these twin abilities, and the challenge presented, are all the greater by reason of the evolution of what Mr. Berle calls the "concentrate" in most of the important segments of industry—i.e., the "Big Two," "Big Three," or "Big Five" that dominate a field, the remainder of which is divided among smaller concerns who necessarily must live within the conditions made for them by the leaders. Mr. Berle ventures the estimate that probably 70 per cent of all American industry is influenced by such "concentrates."

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The divorcement of property as a means of production from property as a means of possession and enjoyment, says Mr. Berle, has concentrated the creative functions of business in the hands of a small group of managers. Modern management largely has the power to give or deny employment, to determine whether and how it will carry on operations and what markets it will supply, to pursue technical development at whatever rate it chooses—within limits—to try to form public opinion, and—also within limits—to determine the rate of capital expansion. In the last respect, he notes that 64 per cent of the $150 billion capital expenditures made from 1946 to 1953, inclusive, came from internal sources and only about 6 per cent from the issuance of preferred or common stocks.

Especially when combined with the development of industrial "concentrates," the exercise of these aggregates of power has contributed importantly to our technological and productive progress. It also has resulted in a competitive environment materially different from that envisioned by earlier economists; for competition among the leaders today, although substantial, is "more a struggle for power to balance supply against demand than to secure customers by price competition." As a result, competition has become increasingly political, with increasing pressures toward some sort of price stabilization.

Although the centering of so large a measure of power in industrial "concentrates" raises serious problems (and Mr. Berle's discussion of employment policies under present security regulations is a provocative one, which reflects the spirit of the times), it is also subject to important limitations: public opinion, either translated into political action or constituting a threat thereof; the competitive jockeying for position among the "Big Three" or "Big Five"; and the power of the state, "seldom seriously invoked except in time of great travail." Thus his viewpoint extends beyond Galbraith's concept of "countervailing power" whereby economic balance would be determined mainly by the counterpoised forces of big business and big labor.

If American capitalism is fully to perform its constructive role in the body politic, concludes Mr. Berle, it must produce a substantially satisfied public, not only today but for years to come. Management, he says, "must tell the truth and so conduct itself that it retains the confidence of its customers, its labor, its suppliers and the sector of the public with whom it deals"—the retention of such confidence in the corporate sense being equivalent of "just consent of the governed." Requisite to the successful performance of this task will be the development of an ever more sensitive "corporate conscience" and a progressively higher order of business statesmanship. Mr. Berle is reasonably optimistic on both points, but his discussion of this subject is highly challenging and, of course, goes far beyond the usual glib generalizations of the conventional publicist.

Mr. Berle's book is more or less admittedly a highlight appraisal of the new American corporate scene, with special emphasis upon the large corporation. Because of this there are many gaps to be filled; for example, a thorough study of the role of what might be called the "middle-sized enterprise," as well as of the interdependence existing between the large corporation and its suppliers and distributors (most of whom are "small") and of the effect of these mutual relationships upon competition and the general development of the economy. It is to be

hoped that Mr. Berle will essay such a comprehensive study. If so, the resulting volume might well transcend Berle and Means' *The Modern Corporation and Private Property* (1932) in importance, and take its place as one of the influential books of its period.

PRINCIPLES OF MANAGEMENT: ***An Analysis of Managerial Functions,*** By Harold Koontz and Cyril O'Donnell. McGraw-Hill Book Company, New York, 1955. 664 pages. $6.50.

*Reviewed by J. M. Juran**

A considerable change of emphasis is currently taking place in management literature. During the first half of the 20th century, most books on industrial management were actually devoted in large part to details of manufacturing management. To be sure, there were also books written on "specialties" such as sales, finance or personnel. The present trend, however—exemplified by the book now under review—is toward dealing with the subject of management in broad terms, avoiding deep involvement with any specific function, industry, product, or service.

The division of the subject decided on by Messrs. Koontz and O'Donnell includes "The Basis of Management," a discussion of the nature of management and of the manager's role; "Organization" (using the word in its structural sense); "Staffing," dealing with means of assuring a continuing supply of managers; "Direction," which deals with the issuing of orders—or, as the military have it, "command"; and, finally, "Planning," which includes control.

This breakdown of the subject carried out in a logical way. The thoroughgoing discussion of all this and the many references and quotations attest to the methodical approach adopted by the authors. The numerous subdivisions of the subject-matter are treated with scholarly precision. The authors are careful to state both pros and cons on debatable points. They are equally careful to point out the dangers of going to extremes in following any theory.

This is all to the good. As a text for students of business administration, the book is an excellent basic work. If backed up by stimulating professors and access to good cases, the results would be satisfactory indeed.

Whether practicing managers will find this book stimulating is something else. For the lay reader the style is deadpan, the diction "egghead." Few managers known to this reviewer will finish reading a book which does not once crack a smile in over 600 pages.

* Consulting Management Engineer; AMA Fellow.

WHAT MAKES AN EXECUTIVE? ***Report of a Round Table on Executive Potential and Performance,*** Columbia University Press, New York, 1955. 191 pages. $3.50.

*Reviewed by Milton M. Mandell**

This book presents the comments of a group of distinguished leaders, mainly from the field of business, at several evening meetings conducted by the Columbia University Graduate School of Business Administration under a grant from the McKinsey Foundation for Management Research. The group's comments reinforce the following generally accepted opinions in the field of executive development:

1. No one knows the value of formal management training programs, although they do seem sound.

2. Everyone accepts the value of giv-

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ing responsibility as a method for executive development.

3. Everyone recognizes the influence of the organization on the development or retardation of the employee.

4. There is wide disagreement on the characteristics needed for executive success, which is partly related to the variety of executive positions.

5. There is need for evaluating the selection and rating methods in use.

6. Both college graduates and present employees are fruitful sources for filling future needs for executives.

Briefer Book Notes

[Please order books directly from publishers]

THE BUDGET IN TRANSITION. By Sidney G. Tickton. National Planning Association, 1606 New Hampshire Avenue, Washington, D. C. 1955. 62 pages. $1.00. This staff report prepared for the Business Committee on National Policy describes certain significant changes in the Budget during the fiscal years 1951 through 1956. Actual receipts and expenditures for 1954 and estimates for 1955 and 1956 are summarized in a series of tables and, as a background to the study, some historical notes on federal budgeting and accounting are given.

BUSINESS CONCENTRATION AND PRICE POLICY: *A Conference of the Universities–National Bureau Committee for Economic Research.* Princeton University Press, Princeton, N. J., 1955. 511 pages. $9.00. The proceedings of a conference organized under the sponsorship of the Universities–National Business Committee for Economic Research. Among the many aspects of the subject considered in these 12 studies are the nature and extent of concentrated power in today's economy, the effect of industrial concentration on pricing policy and marketing relationships, the comparative efficiencies of large and small enterprises, and the history of mergers.

SYMPOSIUM ON FATIGUE. Edited by W. F. Floyd and A. T. Welford. H. K. Lewis & Co. Ltd., London. Distributed by John de Graff, Inc., 64 West 23 Street, New York 10, N. Y. 1953. 196 pages. $4.00. A selection of papers originally given at a symposium on fatigue held by the Ergonomics Research Society at the College of Aeronautics, Cranfield, England, in 1952. Approaching the problem of fatigue mainly from the viewpoints of anatomy, physiology, and psychology, the papers are somewhat technical in content. Included are discussions of the effects of prolonged muscular exertion, visual fatigue with special reference to lighting, experiments on positive and negative work, and work decrement in the learning and retention of motor skills. Many charts, graphs, and illustrations accompany the text.

HUMAN RELATIONS FOR A CHANGING WORLD. Association Press, 291 Broadway, New York 12, N. Y. 1954. 125 pages. $2.00. The proceedings of the 36th Silver Bay Conference on Human Relations in Industry held under the auspices of the Industrial Program Committee of the National Council of the Y.M.C.A. The various papers cover many aspects of the subject, and include special seminars on evaluating the results of supervisory selection and training methods, the personnel administrator's role in employment stabilization, and modern wage and salary administration methods.

CAUSES OF INDUSTRIAL PEACE UNDER COLLECTIVE BARGAINING. Edited by Clinton S. Golden and Virginia D. Parker. Harper & Brothers, New York, 1955. 369 pages. $4.75. A group of experts in industrial relations drawn from business, labor, universities, and the professions examine here at first hand and in explicit detail a series of harmonious labor-management situations. The result is a mass of considered information on the social, economic, contractual, and philosophic factors that have shaped successful labor relations. The material in this book has been drawn largely from a series of reports originally issued by the National Planning Association.

PRODUCTIVITY ACCOUNTING. By Hiram S. Davis. University of Pennsylvania Press, Philadelphia, Penna. 1955. 194 pages, $5.00. Presents a method of measuring the productivity of an enterprise applicable both to periods of rapidly changing prices and to those of stable ones. The measure of productivity suggested by the author is the ratio of total goods and services produced to the total economic costs incurred, both products and costs being revalued to some selected scale of constant prices. Following a consideration of the theoretical and practical aspects of the technique, five uses of it are discussed.

SHORT-TERM ECONOMIC FORECASTING. By the Conference on Research in Income and Wealth. Princeton University Press, Princeton, N. J. 1955. 506 pages. $7.50. The proceedings of the Conference on Research in Income and Wealth held in September, 1951 under the sponsorship of the National Bureau of Economic Research. The seven papers, to which are appended comments by the participants at the conference, include discussions of the general principles of short-term forecasting, the usefulness of U. S. surveys of sales expectations, anticipated and actual capital outlays, and the forecasting of consumer behavior and consumer demand.

ADMINISTERING A CONVERSION TO ELECTRONIC ACCOUNTING: A CASE STUDY OF A LARGE OFFICE. By Harold Farlow Craig. Graduate School of Business Administration, Harvard University, Boston, Mass. 1955. 247 pages. $2.50. In this detailed study of the administrative problems and processes involved in a change-over to electronic office equipment in a large insurance company, the author focuses attention primarily on the behavior of the "middle management" group who assumed administrative responsibility for the technical changes. He emphasizes the high degree of administrative skill required in maintaining the organization's equilibrium while the process of conversion is being carried out.

THE FOLDING CARTON. Folding Paper Box Association of America, 337 West Madison Street, Chicago 6, Ill. 1954. 56 pages. $1.25. This revised edition of an industry manual has been brought up to date since its initial printing in 1950. Attractively illustrated, it traces the history and development of the folding carton industry and describes the complete boxmaking operation, from carton design to packaging machinery. A bibliography of books and magazines on the technical aspects of folding-carton manufacture is included.

ADDRESSES ON INDUSTRIAL RELATIONS: 1954 SERIES. *Bulletin No.* 22, Bureau of Industrial Relations, University of Michigan, Ann Arbor, Mich. 1954. 168 pages. $3.50. Sixteen addresses given at conferences of business executives in four Michigan industrial centers. They dealt with the following topics: the skill of the administrator; communications with employees; foremen as leaders; attitudes toward incentives; relations with professional employees; collective bargaining today; the guaranteed annual wage; federal labor policy; and executive retirement.

JOB EVALUATION IN COLLEGES AND UNIVERSITIES. By William R. Spriegel and E. Lanham. *Personnel Studies No.* 7, Bureau of Business Research, University of Texas, Austin, Texas. 1954. 136 pages. $1.00. The results of a survey of 75 colleges and universities to ascertain their procedures and practices in installing programs of job evaluation. Of the schools surveyed, 21 were found to have a formal plan in effect, 12 had informal plans, and five had installed a state classified personnel system. Of the remainder, 17 had some kind of plan under consideration or were in process of installing one, and 20 had no program in view. Reasons for installing programs and types of procedures and practices used are shown in a series of statistical breakdowns.

PROCEEDINGS OF THE SIXTH ANNUAL INDUSTRIAL ENGINEERING INSTITUTE. University of California, Berkeley and Los Angeles, Calif., 1954. 101 pages. $3.50. Copies available from the Elliott Printing Company, 1016 Jackson Street, Oakland 7, Calif. Included in these proceedings are sessions on work simplification, production engineering, human engineering, and industrial engineering research. There are a number of charts, graphs, diagrams, and illustrations.

PROCEEDINGS OF THE 1954 ANNUAL CONFERENCE OF THE LIFE OFFICE MANAGEMENT ASSOCIATION. Life Office Management Association, 110 East 42 Street, New York 17, N.Y. 1954. 372 pages. $8.00. Included in this collection of papers are addresses on various aspects of management planning, cost controls, personnel administration, and the uses of electronic calculators, as well as a series of round table discussions on office methods and procedures in life insurance company operation.

CAREER: 1955. Career Publications, Inc., 14 West 45 Street, New York 36, N. Y. 1955. 166 pages. $1.00. In this compendium of job opportunities in American business and industry, 68 national employers highlight their openings for qualified men and women graduates.

Publications Received

[Please order directly from publishers]

INTRODUCTION TO INTERNATIONAL TRADE AND FINANCE, By Lorie Tarshis. John Wiley & Sons, Inc., New York, 1955. 536 pages. $6.00.

MODERN BUSINESS ENGLISH: ***Effective Communications and Human Relations.*** By A. Charles Babenroth and Charles Chandler Parkhurst. Prentice-Hall, Inc., New York, 1955. Fifth Edition. 647 pages. $5.95.

GUIDE FOR EMPLOYERS IN HIRING THE PHYSICALLY HANDICAPPED. Employee Relations Division, National Association of Manufacturers, 2 East 48 Street, New York 17, N. Y. 1955. 31 pages. 50 cents.

EFFECTIVE SPEAKING IN BUSINESS. By Alfred D. Huston and Robert A. Sandberg. Revised by Jack Mills. Prentice-Hall, Inc., New York, 1955. 329 pages. $6.35.

COST ACCOUNTING. By W. B. Lawrence. Revised by John W. Ruswinckel. Prentice-Hall, Inc., New York, 1954. Fourth Edition. 659 pages. $9.25.

IN MY OPINION: ***A Summary Report of the Findings of a Supervisory Attitude Survey*** conducted by the National Council of Industrial Management Clubs. Prepared by James H. Mullen. Association Press, 291 Broadway, New York 7, N. Y. 1954. 24 pages. $1.00.

REPORT ON PAPERWORK MANAGEMENT: *Part I—In the United States Government.* Prepared for the Commission on Organization of the Executive Branch of the Government by the Task Force on Paperwork Management. For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 1955. 66 pages. 30 cents.

THE OFFICE ENCYCLOPEDIA. Compiled and edited by N. H. and S. K. Mager. Pocket Books, Inc., 630 Fifth Avenue, New York 20, N. Y. 1955. 502 pages. 50 cents.

ANNOTATED BIBLIOGRAPHY OF AUDIO-VISUAL AIDS FOR MANAGEMENT DEVELOPMENT PROGRAMS. Research Service, 353 West 57 Street, New York 19, N. Y. 1954. Second Edition. 12 pages. $2.50.

THE NEW AMERICAN SCHOOL FOR ADULTS. By Louis K. Mather. Division of Adult Education Service, National Education Association, 1201 16th Street, N. W., Washington 6, D. C. 1955. 39 pages. $1.00.

JUDGES IN INDUSTRY: *A Study of Labour Arbitration in Australia.* By Mark Perlman. Melbourne University Press, 1955. Published in the U. S. by Cambridge University Press, 32 East 57 Street, New York 22, N. Y. 219 pages. $6.50.

THE LABOR FORCE IN WEST VIRGINIA: *A Study of Its Growth and Characteristics.* By Edwin W. Hanczaryk. Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va. 1954. 66 pages. Gratis.

BEHIND THE PRESIDENT: *A Study of Executive Office Agencies.* By Edward H. Hobbs. Public Affairs Press, 2153 Florida Avenue, Washington 8, D. C. 1954. 248 pages. $4.50.

CONFERENCE ON THE ROLE OF WOMEN'S COLLEGES IN THE PHYSICAL SCIENCES. Held at Bryn Mawr College, Bryn Mawr, Penna. Copies may be secured from the Department of Physics, Bryn Mawr College, Bryn Mawr, Penna. 1954. 16 pages. Gratis.

SALESMANSHIP; *Principles and Methods* By Carlton A. Pederson and Milburn D. Wright. Richard D. Irwin, Inc., Homewood, Ill. 1955. Revised edition. 658 pages. $8.00.

GOVERNMENT—AN IDEAL CONCEPT. By Leonard E. Read. The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. 1954. 149 pages. Gratis.

THE LANGUAGE OF SOCIAL RESEARCH: *A Reader in the Methodology of Social Research.* Edited by Paul F. Lazarsfeld and Morris Rosenberg. The Free Press, Glencoe, Ill. 1955. 594 pages. $6.75.

MANAGERIAL STATISTICS. By Kermit O. Hanson. Prentice-Hall, Inc., New York, 1955. 306 pages. $6.35.

SUCCESSFUL HANDLING OF CASUALTY CLAIMS. By Patrick Magarick. Prentice-Hall, Inc., New York, 1955. 495 pages. $6.50.

A GUIDE TO THE GUARANTEED WAGE. By Jack Chernick. Institute of Management and Labor Relations, Rutgers University, New Brunswick, N. J. 1955. 50 pages. $1.00.

INTRODUCTION TO LABOR ECONOMICS. By Orme W. Phelps. McGraw-Hill Book Company, Inc., New York, 1955. Second Edition. 554 pages. $6.50.

INTRODUCTION TO BUSINESS. By Edwin H. Spengler and Jacob Klein. McGraw-Hill Book Company, Inc., New York, 1955. Fourth Edition. 623 pages. $5.50.

LAW OFFICE MANAGEMENT. By Dwight G. McCarty. Prentice-Hall, Inc., New York, 1955. Third Edition. 525 pages. $6.95.

PROCEEDINGS OF THE FIRST CONFERENCE ON TRAINING PERSONNEL FOR THE COMPUTING MACHINE FIELD. Edited by Arvid W. Jacobson. Wayne University Press, Detroit, Mich. 1955. 104 pages. $5.00.

THE DOCK WORKER: *An Analysis of Conditions of Employment and Industrial Relations in the Port of Manchester.* University Press of Liverpool, Liverpool 3, England. 1954. $2.45.

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